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FISCAL YEAR 1989 BUDGET REVIEW

HEARINGS

BEFORE THE

COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

FEBRUARY 29, AND MARCH 2, 1988

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FISCAL YEAR 1989 BUDGET REVIEW

FEDERAL HIGHWAY ADMINISTRATION

MONDAY, FEBRUARY 29, 1988

U.S. Senate,
Committee on Environment and Public Works,
Washington, DC.

The committee met at 10:32 a.m. in room SD–406, Dirksen Senate Office Building, Hon. Quentin N. Burdick (chairman of the committee) presiding.

Present: Senators Burdick, Mitchell, Mikulski, Reid, Stafford, Symms, Warner, and Pressler.

OPENING STATEMENT OF HON. QUENTIN N. BURDICK, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator **Burdick**. Good morning and welcome to the Environment and Public Works Committee hearing on the administration's proposed highway budget for fiscal year 1989. The Environment and Public Works Committee has begun an examination of the budgets for all 14 agencies within our jurisdiction. Since the largest part of the budget within the Committee's jurisdiction is the Federal-aid Highway Program Trust Fund, it is appropriate that we begun here.

The charge of this Committee is to review the administration's budget proposals, make budget decisions of its own and report to the Budget Committee by the middle of March. That is just what we will do. The Highway Program has financing features that distinguish it from many other Federal programs. It is not funded by general revenues but, rather, by highway users who pay fuel and excise taxes into the Highway Trust Fund.

Consequently, the program is not a financial drain on the Federal budget. It is designed for users to pay in proportion for the use of the program. Perhaps the most significant characteristic of the program in this time of high deficit is that it cannot, by law, produce a deficit.

The Byrd Amendment, sponsored by former Senator Harry Byrd of Virginia, requires that debts of the Federal-aid Highway Program not exceed a combination of the next 2 years' projected income to the Trust Fund plus the current balance in the Trust Fund.

Consequently, when a new highway bill is enacted, the Highway Trust Fund is extended for 2 years beyond the authorization period of the highway program to ensure that there will always be 2 years of additional income in the program. At present, the Highway Program is authorized to fiscal year 1991, and the Highway Trust Fund is authorized through fiscal year 1993.

Therefore, thanks to Senator Byrd's foresighted patience and prudence, there is always a positive balance in the Trust Fund, and there is never a possibility that the Highway Program will run a deficit. Nevertheless, the Highway Trust Fund is also part of the unified Federal budget and is subject to budget balancing and deficit reduction along with all other Federal spending.

Thanks to the $9 to $10 billion in the Trust Fund balance, the deficit is $9 to $10 billion lower than it would otherwise be. Think how quickly the deficit would be erased if all the other Federal programs operated this way. Despite the built-in fiscal controls, the Highway Program has sustained absolute reductions in spending from previous years, unlike the defense and entitlement programs, which have merely experienced reductions in the rate of spending increases. That has been the situation for the last 3 years, and under the administration's fiscal year 1989 budget proposal, that is the plan for next year, too.

There will be features of the administration's budget proposal in addition to the reduced spending level that we will want to examine closely during the next few weeks. They propose that interest earnings in the Trust Fund balance, estimated to be between $800 and $900 million in fiscal year 1989, not be spent but remain in the Trust Fund.

It is also proposed that programs currently outside of the obligation ceiling be placed under the ceiling. This will have the effect of reducing the amount of spending that could be used for programs already under the ceiling. Both of these provisions have the result of reducing the amount of money spent on the Federal-aid highways in 1989.

I look forward to the testimony to be given today and discussing it with many of my colleagues between now and mid-March, when the Committee will make its budget recommendations.

Senator Stafford, do you have a comment?

OPENING STATEMENT OF HON. ROBERT T. STAFFORD, U.S. SENATOR FROM THE STATE OF VERMONT

Senator **Stafford**. I do, Mr. Chairman. Thank you. I am pleased to be here with you this morning to hear testimony regarding the fiscal year 1989 budget for the Federal-aid Highway Program.

Congress passed the Surface Transportation and Uniform Relocation Assistance Act of 1987 last year. Spending levels were set in that legislation, as you pointed out, for a 5-year Federal-aid program. Since that time, the program has experienced budget reductions. Again, in fiscal year 1989, the President's budget proposes a reduction of approximately $700 million.

The Appropriations Committee will very likely include a cut of this magnitude in the DOT fiscal year 1989 Appropriations Bill or in a Continuing Resolution in order to meet its required outlay level. Highway needs and spending will be competing against transit, Coast Guard, Amtrak, and aviation needs and spending. This poses a considerable dilemma. The Highway Program is funded by highway user fees which accumulate in the Highway Trust Fund and which can only be spent for Federal-aid highway projects.

There is no argument that there are significant highway needs in this country, particularly in repairing and replacing bridges and major rehabilitation of aging highways.

At the same time, the Federal Government's fiscal house is not in order. Most Federal programs have suffered because of that, and the Federal highway program has certainly taken its share of reductions. This is unfortunate, but I believe it is likely to continue to be the case until we can get our budget deficit under control.

As I said, Mr. Chairman, I am pleased you have scheduled this hearing to discuss these difficult issues. I look forward to working with you and listening to our expert witnesses.

Senator BURDICK. Senator Reid.

OPENING STATEMENT OF HON. HARRY REID, U.S. SENATOR FROM THE STATE OF NEVADA

Senator REID. Mr. Chairman, thank you very much. I am pleased to attend this hearing that you have scheduled. The figures in the administration's proposal, namely, $11.398 billion, is some $382 million below fiscal year 1988 obligations. The highway budget, as has been mentioned here today, has faced cuts in spending in each of the last three fiscal years.

This has taken place even though there is a surplus in the Highway Trust Fund. Our Nation's highways are supported by specific taxes placed on users. The Highway Trust Fund currently has a surplus balance of over $9 billion.

This surplus is being used to artificially lower the nation's budget deficit. Mr. Chairman, I think this is a sham, and it should be stopped. It is a travesty to allow the highway system to degenerate when funds have already been set aside to provide for this system's safety.

All this does is temporarily disguise the real deficit and delay needed highway improvements which would create jobs and stimulate the economy while providing safer highways. The administration not only failed to use the earmarked Trust Fund money, but it continues to cut spending for highway safety.

I believe that we should face the facts and stop playing games with the deficit. Let's stop ignoring the need for improvements to our highways.

Senator BURDICK. Senator Symms.

OPENING STATEMENT OF HON. STEVE SYMMS, U.S. SENATOR FROM THE STATE OF IDAHO

Senator SYMMS. Thank you very much, Mr. Chairman and my colleagues. I look forward to hearing from the witnesses thare are here this morning. There are some excellent witnesses who possess a great deal of experience and expertise in transportation, and I think that we can have a good hearing here this morning.

I am in sympathy with what my colleague from Nevada has just stated, Mr. Chairman, and the problem I see is that the Administration's proposal is approximately $700 million less in total obligation authority for fiscal year 1989 as compared to what we will obligate this year.

The current highway cash account, as Senator Reid just mentioned, by my numbers is $9.6 billion, so I think he was conservative in what he had to say.

Senator REID. I am always very conservative.

Senator SYMMS. On this course, we are going to end up with $12.8 billion by the end of fiscal year 1989 in the Highway Trust Fund. I don't know what the condition of the highways are in my colleague's States, but because of severe weather problems in the West in the last couple of years, some of the interstate that has just been rehabilitated under the 4-R program, are showing big cracks in the roads because of frost heaves and hot and cold temperature differentials.

So far as I am concerned, the only honest thing this Committee can recommend to our colleagues is either we raise the amount of money we spend up to about $16 billion and do it under the obligated formulas we have already established; that would be my first preference.

My second preference would be that we take all funds that are coming into the Trust Fund and just cash them back to the States in a block grant the minute they come in, just like we used to do with the old revenue sharing program; send them back dollar-for-dollar to the State Departments of Transportation of the 50 States on a dollar-for-dollar basis and do that until the balance in the Trust Fund gets back down to about $3 billion before we would stop.

If you were running a county government, a city government, a State government, and did the accounting the way the Federal Government does, some city auditor would go to jail. We don't seem to do that here in Washington. I think we ought to, in this Committee, make a recommendation. We don't have taxing authority in this Committee, but we could make a recommendation out of the Committee that if we are not going to be able to spend the money because of Gramm-Rudman or whatever complications we run into, then we should stop the taxation for a time period, anyway, and pass that money back through to the States so they can spend it.

Because after all, everywhere in the country, 99 percent of the people in this county use the Nation's highways for transportation. I think some 87 percent of all commercial goods that are produced go on the Nation's highways, and this is probably the best example of federalism that we have in the entire Federal Government. It should not be a partisan issue, and to my way of thinking, it is not a partisan issue.

It is a necessary, important issue if we are going to have a strong free enterprise economy that we have a good road system, and I think we have an obligation to be honest about that to the public. I hope that the administration would cooperate with us and help us accomplish that. Thank you, Mr. Chairman.

[Senator Symms' written statement follows:]

Opening Statement of Hon. Steve Symms, U.S. Senator From the State of Idaho

Mr. Chairman, I want to thank you for holding this hearing to consider the fiscal year 1989 budget for the Federal-Aid Highway Program. In my judgment, no Federal program, other than national defense, has a more positive social and economic impact on the daily lives of American citizens than the Federal-Aid Highway Program.

It is unfortunate that Congress has never funded the highway program at a level designed to meet our tremendous highway and bridge needs. And today, the Highway Trust Fund clearly is being used to help reduce the "apparent" size of the Nation's budget deficit, even though the highway program does not contribute to the deficit.

The Administration's budget proposal for highways would reduce total obligational authority by $700 million from fiscal year 1988 levels. This comes at a time when anticipated revenues to the Highway Account are increasing, in part because of changes made in the tax law. While the current cash balance in the Highway Account is approximately $9.6 million, the cash balance at the end of fiscal year 1989, under the Administration's proposal, is estimated to be $12.8 billion. That is a $3.2 billion increase in one year, when we should be working to reduce that extraordinary balance of funds paid by highway users.

That the Administration's budget request for highways is far too little, is obvious but by now an old refrain. That it is dishonest gimmickery not to count interest income of almost $1 billion per year in a "deficit neutral" proposal, should also be noted for the record, but it again is an old point.

But these are the reasons, Mr. Chairman, it is important to hold this hearing. I hope this committee and this Congress will work to put some of the "trust" back into this trust fund account. I urge my colleagues to reject the Administration's proposed reductions in total obligation authority and keep highway spending at least even with the levels authorized in the 1987 highway bill.

Thank you, Mr. Chairman. I look forward to hearing the testimony of our distinguished witnesses this morning.

Senator **Burdick**. Senator Mitchell.

OPENING STATEMENT OF HON. GEORGE J. MITCHELL, U.S. SENATOR FROM THE STATE OF MAINE

Senator **Mitchell**. Thank you, Mr. Chairman. I am pleased that the Committee will get testimony today on the President's fiscal year 1989 budget affecting the Federal Highway Program. As we all know and are sensitive to, there is great pressure in and out of Congress to reduce the Federal budget deficit.

On November 20th, the Congress and the administration reached an agreement to reduce the deficit by $76 billion over the fiscal years 1988 and 1989; in December, to comply with the Budget Summit Agreement, many non-entitlement programs were reduced by about 4 percent from the levels that would otherwise have been provided under pending appropriations bills.

For Highway Programs, that meant a reduction in the obligation ceiling from $12.35 billion to $11.78 billion, actually a 4.6 percent reduction as opposed to the average reduction of 4.2 percent.

Now we are reviewing the President's budget request, and while this Budget Summit Agreement allowed for an overall 2 percent increase in domestic discretionary spending in fiscal year 1989, the President's budget proposal would do the opposite; it would further reduce the obligation ceiling to $11.39 billion, another 3.3 percent reduction or nearly an 8 percent reduction from the pre-Summit level of spending.

The cash balance in the Highway Trust Fund is expected to climb from $9.4 billion in 1987 to $10.6 billion in 1991. Yet many States, including the State of Maine, are considering raising gasoline excise taxes to make up for reductions in Federal highway spending. In essence, we are compelling States to pay for our accumulating a large cash balance in the Trust Fund. The cash balance is obtained through an excise tax which is unrelated to ability to pay.

Last year, the Finance Committee rejected raising excise taxes because such an increase would have taken back from middle- and low-income taxpayers all of the gains that they achieved through tax reform the previous year. Yet if the administration has its way, we will now virtually mandate the States to raise their excise taxes by substantially limiting the funds that can be drawn from the Federal Highway Trust Fund.

It seems disingenuous to me to ask the States to pick up the tab for funds we actually have but aren't willing to spend. If the Highway Trust Fund were endangered of depletion, that would, of course, be a different story. But it is not.

And so, Mr. Chairman, I hope we can examine that subject more today in an effort to reach an agreement on what we need to hold in reserve in the Trust Fund and what can be spent without endangering future obligations in a way that meets the overall national responsibility to adequate highway construction and doesn't attempt to make the Federal budget look good by foisting the responsibility off on to the States.

Senator BURDICK. The first panel of witnesses will now come to the table. We will hear all witnesses from the panel and then we will direct questions to them.

Our first panel consists of Mr. Robert Farris and Mr. Everett Ehrlich. Gentlemen, will you take your positions at the table? Mr. Ehrlich, will you please proceed?

STATEMENT OF EVERETT M. EHRLICH, ASSISTANT DIRECTOR, NATURAL RESOURCES AND COMMERCE, CONGRESSIONAL BUDGET OFFICE

Mr. EHRLICH. Thank you, Mr. Chairman. I am pleased to be here today. I would like to submit my statement for the record and give you a brief oral summary. I would also like to point out that with me today is Jenifer Wishart, who is the Unit Chief of our Public Investment Unit.

Senator REID. I can't hear what you are saying.

Mr. EHRLICH. Excuse me, Senator. With me today is Miss Jenifer Wishart, who is the Unit Chief of our Public Investment Unit, and Miss Marge Miller, who prepares the baseline for this account for CBO.

I want to make four points today, very briefly. The first of those is that highway taxes are roughly being spent on highways at the rate at which they come in. Since 1984, when spending reached the steady state that was suggested by the 1982 tax increase, the cash balance in the highway account has fallen. My testimony today concerns the highway account itself as opposed to the entire Trust Fund.

That trend was reversed, given the obligation ceiling reductions that we experienced in the last several years. But in CBO's baseline, the cash balance increases until 1990 and 1991 and by 1993 we have a cash balance in the highway account that is roughly equal to that we enjoy today.

In general, the tendency in the highway account is for the cash balance to decline, because spending grows at the rate of inflation, while growth in receipts is related to vehicle miles traveled, which grows at roughly the rate of Gross National Product and therefore, characteristically, less than inflation.

The second point is that the existence of the cash balance doesn't tell us whether or not highway users are receiving more or less in highway spending or services than they pay in taxes. To make that comparison, we have to take the highway account and first add in Federal spending outside of the highway account. If we were to take all of the Federal spending on highways that has occurred since the inception of the trust fund and put it in the trust fund and make the appropriate adjustments, the cash balance in the fund would fall from roughly $10 billion today to roughly $1 billion.

So over the last 30 years, highway users have roughly received, in Federal spending, what they have paid in dedicated taxes. If we were then to add State and local spending, which highway users finance, in large part, from dedicated taxes, spending would be far greater than the amount of dedicated taxes that have been paid. This is because State and local governments spend a large amount out of their general funds on highways.

In fiscal year 1988, highway users will pay through dedicated taxes at all levels of government roughly two-thirds of what is spent on highway construction and repair.

The third point is that while the Highway Trust Fund tells us what we have spent and what we could spend, it doesn't tell us what we ought to spend insofar as highways are an investment, and we judge an investment by its rate of return. The work that we have done in this area suggests that highways generally convey a very large rate of return, that if you look at the rate of return on maintaining the condition of urban roads or the most densely-traveled portions of the Federal-aid system, that rate of return is approximately 40 percent, which is a very compelling investment.

Good rates of return can also be found for new urban construction when that construction alleviates congestion, and perhaps a comparably good rate of return can be found on bridges that are in the national truck system. Some illustrative rates return for different types of highway projects can be found on Table 3 of my written statement.

Poor rates of return exist for rural interstates, for finishing the Interstate, where we judge that roughly two-thirds of the remaining gaps have zero or negative economic rates of return, and for a universal fix-all deficiencies strategy that takes all roads up to a level of engineering condition regardless of the density of their use.

Finally, the very high rates of return that we identify for maintaining the 4-R program suggest, as is obvious, perhaps, that the highway system is moving from an era of construction to an era of maintenance. By 1993, the Interstate system will be finished, and when it is finished it would be an appropriate time to reappraise what the Federal role in highways should be.

When we began the Highway Trust Fund, it was important to have Federal leadership and very substantial cost shares to bring State governments into the process of planning and managing highways as if they were making decisions on national economic merit as opposed to parochial economic interest.

But the highway program has had two compelling successes: One is that the Interstate system is almost complete; and the other is that State governments have become competent planners and managers and, in some cases, financiers of highways. The options for maintaining the Interstate and the other Federal-aid systems over their life cycle could conceivably include changing the cost shares to get a more accurate and more modern reading of the division of local and Federal costs and benefits in maintaining highways; in taking the highway program and putting it in a more multi-modal infrastructure context so that highway projects must compare with other transportation projects for funding and for implementation or perhaps assigning the program to the States, given the very high rates of return that states would enjoy were they to keep their federal-aid system roads in good repair.

Thank you very much, Mr. Chairman. Let me stop right there for now.

Senator BURDICK. Since the hearing started, one of our valued members entered. Senator Mikulski, do you have an opening statement?

Senator MIKULSKI. I have no formal statement, Mr. Chairman, we are very much interested in the national policy issues known to the National Council on Public Works, who has given us a "C" on infrastructure; I have some particular Maryland concerns that I will bring up at the proper time.

Senator BURDICK. Thank you, Senator Mikulski. Mr. Farris, I think you are next.

STATEMENT OF ROBERT E. FARRIS, DEPUTY ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION

Mr. FARRIS. All right. Thank you, Mr. Chairman. I am Robert Farris. I am the current Deputy Administrator for the Federal Highway Administration. I am pleased to be here to discuss the Federal Highway Administration's fiscal year 1989 budget request and to respond to questions raised in your letter of invitation dated February 11th.

Estimates of fiscal 1988 and 1989 budget authority are $13.898 billion and $13.8 billion respectively; estimated obligations are $13.34 billion and $12.45 billion; and outlays are estimated at $13.400 billion and $13.461 billion, respectively.

Fiscal years 1988 and 1989 estimates were developed in a constrained budget climate using the Federal Highway Act of 1987 as our basis. The 1989 budget proposes a deficit neutral position for programs funded from the highway account for the Highway Trust Fund for the years 1987 through 1991, or the life of the 1987 Act.

Average revenues for the period determine the obligation level supportable under that concept. Thus, a reduction in the 1989 obligations from 1988 is simply the result of the calculation which considers the average revenues for the period 1987 through 1991 minus the obligations financed from the Highway Trust Fund outside of the Federal-aid highway account.

The relatively minor decrease in budget authority from 1988 to 1989 results primarily from the elimination of the special interest appropriations provided in the fiscal year 1988 appropriation bill. The Motor Carrier Safety Grants authority, however, increased in fiscal year 1989 consistent with the Commercial Motor Vehicle Safety Act of 1986.

Fiscal years 1982 through 1988 was a period of dramatic change. Federal-aid highway obligations were about $8.6 billion in fiscal 1982, the last full year before the enactment of the Surface Transportation Assistance Act of 1982, which, at that time, significantly increased highway spending through increased user fees.

Total obligations were $12.8 billion; $13 billion; $14.1 billion and $14.4 billion for the years 1983, 1984, 1985 and 1986 respectively. Under the 1987 Act, spending levels were constrained. Obligations for 1988 are expected to be $13 billion.

If I had to pick out one significant trend during the period, it would have to be the improvement of our Nation's highways as measured by their condition and serviceability during the period. Every functional class of road was in better condition in 1985 than it had been in 1983. This is according to our highway needs' report, which measures these statistics.

With regard to personnel, in fiscal year 1988, 3,630 full-time equivalents are available. The 1989 budget contemplates a reduction of three full-time equivalents due to the contracting out of certain research projects; an increase in motor carrier safety specialists' clerical support of 15 full-time equivalents; and a reduction of 20 full-time equivalents due to the elimination of the Appalachian Highway Program. This leaves 3,622 full-time equivalents available for fiscal 1989.

No rescissions, deferrals or supplementals are planned at this time. The administration will propose some limited reprogramming of funds to the Coast Guard from other Department of Transportation activities.

There are three areas in the budget which impact statutory legislation. First, a budget general provision would make funds authorized for highway substitute projects under 23 USC 103(e)(4) available for transit projects; second, a general provision would reduce the Federal share payable to 80 percent for any highway or bridge project which is now 100 percent; and third, the budget proposes a more flexible administrative drawdown to the Motor Carrier Grants program to support research in the motor carrier safety area. No budgetary impact is expected from these proposals.

As of December 31st, 1987, the highway account of the Highway Trust Fund had a cash balance of $9.070 billion. The Highway Trust Fund has not experienced any unexpected shortfalls. In fact, we expect some revenue enhancement as a result of the improved tax collection due to recent legislation which raised the point of taxation for gasoline and diesel fuel.

A task force of senior Federal Highway Administration staff members have been created to take a strategic look at the broad issues and trends that may impact highways in the future. A series of 19 working papers are being produced to provide input to Federal policy-makers for framing a recommended Federal highway role. Such issues as tax turnback, revenue return and expanded use of toll financing are all being examined in this context. We anticipate a final report summarizing the recommendations to be ready in early 1989.

We do not support taking the Highway Trust Fund off budget, nor exempting Federal highway accounts from the Gramm-Rudman-Hollings law. Whether deficit targets are met depends on total receipts and expenditures, including the trust funds. Deficit neutral spending, as proposed in our budget, is fair to highway users. There is a guarantee that all the taxes that they pay will go into to transportation improvements. Fairness does not require taking the Highway Trust Fund off budget.

The highway system is the backbone of the American freight transportation system, accounting for over 22 percent of ton-miles of freight hauled each year and representing over 75 percent of the value of all freight. Highway freight transportation accounts for almost 11 percent of all paid labor hours. The continuation of economic efficiency through the field of highway freight transportation depends on the future condition and performance of the system.

If insufficient investment results in the deterioration of current levels of performance, freight vehicles will require more time to carry out their tasks, and the amount of labor hours will increase.

However, the funding proposed in our budget, along with what the states historically have put in, is more than adequate to maintain and even improve the physical condition of pavements on non-local roads. Keeping up with the demand for increased highway capacity so that congestion does not increase will require the participation of all levels of government and a hard look at traditional funding mechanisms to assure that national productivity is not constrained by the highway system.

That completes my written statement to you, and I will be pleased to answer any subsequent questions. Thank you, Mr. Chairman.

Senator **Burdick**. Mr. Farris, last week Secretary Barnley testified on the Department of Transportation's fiscal year 1989 budget before the Senate Appropriations Transportation Subcommittee. In the Secretary's entire seven-page statement, there is no mention of the Federal Highway Administration.

According to DOT, spending on highways constituted nearly 53 percent of the Department's budget. Can you explain why the Secretary seems concerned with everything but the highway program?

Mr. **Farris**. It may be, Mr. Chairman, we did such a fantastic job of administering this program that it wasn't brought to his attention.

Senator **Burdick**. Isn't that unusual?

Mr. **Farris**. Well, I can't climb into Secretary Burnley's mind. Obviously, he was greatly concerned about aviation safety; about the potential reductions in Coast Guard and other activities that are so prevalent in that large Department.

We are seriously, I think, trying to meet our obligations in a fiscally-responsible manner, and therefore, with no new legislation being proposed in highways this year, I can see where that was not necessarily on his mind at the time he appeared.

Senator BURDICK. In other words, he considers the Coast Guard right now more important than the highways?

Mr. FARRIS. I wouldn't say that, sir.

Senator BURDICK. Mr. Farris, you mentioned some limited reprogramming of funds to the Coast Guard and other Department of Transportation activities. How much money is being considered for reprogramming, and would it mean decreasing the highway budget to increase the Coast Guard's budget?

Mr. FARRIS. What I understand is being considered is some of the special interest projects that were included in the last Continuing Resolution that were funded with general funds. This is being prepared at the moment by the Department and will be submitted to you later.

Senator BURDICK. Mr. Ehrlich, Secretary Barnley has discussed the concept of turning responsibility for the highway program over to the States. According to your testimony, highway spending is an investment. An economically-justifiable level of highway depends on the investment's rate of turn. Our estimates suggest that maintaining at present good to very good condition of the major highway system would prove to be one of the better paying investments of the 1990s. Do you think that under DOT's turnback proposal, the States would be able to do as good a job?

Mr. EHRLICH. The States have characteristically done a fairly reasonable job. For example, under the substitution program, where states were able to turn in uncompleted gaps for other projects in the early eighties, they generally chose high rate of return projects. For any state highway planner, an investment with a 40 percent rate of return is going to be attractive.

There is some issue, of course, as to whether or not, for example, a state highway planner in the Great Plains or Midwest is going to take into account in his planning the benefits that someone bringing a product from one coast to the other on the road is going to receive.

There is also the issue of whether or not the states will use tolls or some other kind of taxes to move more of the burden of their highway expenditures outside their own state boundaries. But by and large, the states prove themselves adept at identifying good highway projects and implementing them.

Senator BURDICK. Senator Stafford.

Senator STAFFORD. Thank you, Mr. Chairman.

Mr. Farris and Mr. Ehrlich, if you care to, let me prepound this question. Provision in the STURAA of 1987 permitted States to lapse Interstate apportionments one year early and immediately apply for Interstate discretionary funds. Because over $1 billion was lapsed, the final result was that many States lost obligational authority and had to reduce the size of their program this year.

My question is: What is the potential for a similar situation in fiscal year 1989 and 1990.

Mr. FARRIS. Excellent question, Senator Stafford. It did catch a lot of States by surprise. What happened last year, as we understand it, was the intent of Congress to accelerate the completion of the key elements of our Interstate system. The provision was included to allow the States to make effective use of the funds that were available for projects that were ready to go. I think it did accomplish that.

But it did catch some States by surprise; because it had an impact on their obligation authority. In looking at the next two years, which are the two years where it could happen again, the impact is obviously going to, diminish. We are aware of only two states that are considering early lapse this year. The potential could be as much as $600 to $900 million, if all the States wanted to start participating.

It is very early in the year to make any kind of accurate projection, but my feeling at this point is that the impact this year is going to be considerably less, and in the subsequent years, it would be even less as the states move toward the end of this activity.

We can see that the funds available for early lapse will obviously diminish dramatically. It is the choice of the States at this point on where to apply their available obligation authority. We are seeing great pressures on the States in their planning process to complete the missing gaps in the Interstate system.

So as we read the territory at this point, Senator, I don't expect a major impact this year. The maximum looks like it would be $600 to $900 million if everybody wanted to take advantage of it. We think it will probably be half that this time around.

Senator STAFFORD. Thank you very much.

Let me just ask one or two other questions, and the rest I will submit in writing, Mr. Chairman.

Let me ask you this question. The President's budget proposes to put the demonstration projects authorized in the 1987 Act under the obligation ceiling but leaves demonstration projects done by the Appropriations Committee in their bills outside the ceiling. My question is: Shouldn't all demonstration projects be treated the same way?

Mr. FARRIS. Senator, it would be my pleasure if you would do away with them. You should know that.

Senator STAFFORD. Yes.

Mr. FARRIS. The main difference, as I understand it, is that the demonstration projects that were included in the C.R. were funded by general funds, do not have funds in fiscal year 1989, and we are not requesting any for them. The demonstration projects in the 1987 Act have fiscal year 1989 funds, and we are only asking that these be subject to the same ceiling applicable to most other programs.

Senator STAFFORD. I see.

Mr. FARRIS. So we are bringing all of those that were coming out of the Highway Trust Fund under the obligation ceiling, which I think is an appropriate process.

Senator STAFFORD. Thank you.

Finally, the President has indicated he will send a rescission to the Congress for certain authorized projects. Will there be any highway projects or programs included in the rescission?

Mr. FARRIS. Senator, I can't really address that. That is the call of the President, obviously, and we will support whatever he brings forward.

Senator STAFFORD. All right. Thank you, Mr. Chairman.

Senator Burdick. Senator Reid?

Senator Reid. Thank you, Mr. Chairman. Mr. Farris, what is your definition of a trust fund?

Mr. Farris. Well, it is funds that are collected for a specific purpose and held in that account to be expended for that purpose. So there is a trust to the taxpayers, and that is the term that we use in the trust fund account.

Senator Reid. On page 5 of your written testimony, you have a heading there that says, "Moving the Highway Trust Fund off budget."

Mr. Farris. Yes.

Senator Reid. If we could go through that together, with all due respect, I am not sure that that makes a lot of sense if we go under the assumptions that a trust fund is monies that are set aside for a specific purpose. In this statement, you say that, 'Whether deficit targets are met depends on total receipts and expenditures, including trust funds."

Where did you come up with that? Why those words? Why should receipts and expenditures include trust funds?

Mr. Farris. As you look at cash in and cash out at the Federal level, what we have tried to do is to make sure that we are expending the funds as they come in. In looking over the 1987 to 1991 Highway Authorization Act and then looking at our outlays, this is cash actually expended versus our tax receipts. We are remaining pretty well on target.

Senator Reid. Okay, but Mr. Farris, you haven't answered my question. Why should trust funds be included in the receipts and expenditures of this government?

Mr. Farris. Let me see if I can explain to you the way I understand it, Senator Reid. Dollars that flow into the Trust Fund are currently being expended for highways. What is not being expended is the interest. The interest would have to come from the general fund; it is money that the Federal Government uses in its cash management that will pay for the use of those dollars.

If we were to draw down, now, the current balance in the Trust Fund and include the interest, we would, in fact, be contributing to the deficit.

We are remaining deficit neutral at this point. I went back and looked at the balance of the Trust Fund when this administration came into office. It is practically the same today as it was in 1982. So we have generally spent the money as it has come in, and we intend to keep doing that.

In looking at the next year, the next 2 years, the amount of money that we will be spending—these are outlays—amounts to $39.5 billion. Money coming in from tax receipts is estimated at $39.6 billion. But that doesn't include the interest.

Senator Reid. Mr. Farris, let's assume I put money in the bank in a savings account and I can draw interest on that. What right do you have to my interest? You really don't have any, do you? My logic indicates to me that when this government set up a special fund, a trust fund, that those monies were to be used for highway construction, rehabilitation, bridges, et cetera; that is the purpose of the monies that went in that Trust Fund.

Mr. **Farris**. The question here is what is the interest on the balance?

Senator **Reid**. I mean——

Mr. **Farris**. I think that is a decision that we must make as we try to look at the posture that the Federal Government now finds itself in in trying to bring its expenditures in to some reasonable relationship to its outflow. Excuse me.

Senator **Reid**. But because I put money in the bank and save money and you don't doesn't mean that you should get to keep my interest. I think it is really illogical that we are not spending the money that has been set aside in those special funds. I recognize the reason for it is to make the deficit look smaller, but I just think it is wrong, and I think that we should do something about that.

I think fairness does require that. The last sentence in your statement in this particular paragraph said that, "Fairness does not require taking Highway the Trust Fund off budget," and I would say that fairness indicates that those monies that we have collected from the taxpayers for highways should be spent on highways.

Mr. **Farris**. Senator, I couldn't agree more, and we are, in fact, spending that money that is coming in from the taxpayers. What we are not spending is the interest that is earned on the dollars.

Senator **Reid**. My strong feeling is that those are taxpayers' monies just as much as the——

Mr. **Farris**. I respect that.

Senator **Reid** [continuing]. As the taxes collected initially. That is all I have, Mr. Chairman.

Senator **Burdick**. Senator Symms.

Senator **Symms**. Thank you, Mr. Chairman. I want to welcome both of you here this morning.

Mr. Farris, the one thing that we have all heard about since the passage of the bill last year is the changing of the point of collection on fuel taxes.

What are the estimates of increased revenue due to the change in the point of collection of diesel taxes? We are really hearing about it from the farm community. Some of the farmers say a typical small farmer or independent operator that runs his own operation would be spending $15 a day up front now in fuel taxes. It may be even more than that. So it becomes a substantial cost in their budgeting. How much is the estimated increased revenue as a result of this?

Mr. **Farris**. For fiscal year 1988, they are estimating about a $620 million increase, Senator Symms, and it will balance out to have somewhere around $450 to $500 million in the out years.

Senator **Symms**. Is that for gasoline and diesel?

Mr. **Farris**. And diesel, yes, sir.

Senator **Symms**. Six hundred million dollars?

Mr. **Farris**. Yes.

Senator **Symms**. Where is most of that coming from?

Mr. **Farris**. We think it is coming primarily from an evasion that the previous collection system permitted to occur. The difficulty was in being able to track tax-free transfers of fuel and to audit the high number of tax collecting points.

It became evident to us in the audit demonstrations that were conducted jointly by the IRS and the States and you know former Administrator Barnhart was quite outspoken on this. We also looked at information from some of the States that did crack down on auditing within their own States, which showed a dramatic jump in revenue from their collection process. Some testimony that occurred in the State of New York indicated that there was considerable fraud behind the non-payment of these taxes.

Removing the the number of collection points and moving it back in the supply stream reduces the number of points where taxes were being collected and allows the Internal Revenue to monitor fewer points.

Senator SYMMS. Was it the La Cosa Nostra involvement in the fuel business; is that what it amounts to?

Mr. FARRIS. There was certainly an indication that organized crime was involved.

Senator SYMMS. I notice you have proposed to spend $5 million out of the Trust Fund to contract with the IRS for increased enforcement activities. What kind of enforcement activities, and what do you expect that money will buy?

Mr. FARRIS. They have 63 districts, Senator Symms, and in those districts, they have some part-time agents that we would like to make full-time agents to concentrate on just auditing the collection of diesel fuel and gasoline fuel.

The auditing process has been very difficult for them in the past because of insufficient manpower to devote to the high number of collection points. Now that the number of taxpayers has been reduced considerably, we feel that with adequate auditing activities, we ought to be able to at least assure that we are collecting the taxes paid by the public for the gasoline and diesel fuel to build highways.

Senator SYMMS. Okay. I wanted to ask one question about personnel. In fiscal year 1988 you mentioned 3,630 full-time equivalents.

Mr. FARRIS. Correct.

Senator SYMMS. Isn't that down substantially from what it was 5 or 6 years ago?

Mr. FARRIS. Yes, sir.

Senator SYMMS. What was it 5 or 6 years ago?

Mr. FARRIS. I don't recall, Senator, what the number was. It has been gradually coming down now for the last number of years.

Senator SYMMS. As I recall, it was more like 4,500.

Mr. FARRIS. At one point it was over 5,000. It has come way down.

Senator SYMMS. How is the morale in the Federal Highway Administration?

Mr. FARRIS. From my visits around the agency in the year and a half or so that I have been in the Federal Highway Administration, I think the morale is good. Our productivity is up, and our commitment towards providing good service to the States and to our constituents is strong within our agency. I see no deterioration of morale because of this. There has been no recent RIFs, Senator. We have done this through normal attrition.

I think the staffs have been tightened up. We are trying to play our role in being as efficient as we possibly can. I think there is no deterioration.

Senator SYMMS. It is a real compliment to Mr. Barnhart and the leadership of yourself and others, Les Lamm and all of the people that work together in the Federal Highway Administration. Had the rest of the government done as well as the Federal Highway Administration, we would be much better off.

Mr. FARRIS. Thank you.

Senator SYMMS. In view of that, one other question. It seems to me that the Federal Highway Administration is about the only agency of the government left that is concerned about whether we finish the Interstate system or not. We are trying to finish it in Idaho, and they have used that on I-90 and they hope to use it next year on I-15. Do you believe that we will be able to continue to do that?

Mr. FARRIS. Senator, as I see it now, the significant gaps should all be under contract, all under construction at the conclusion of this bill. That is with the caveat of saying that certain environmental constraints that we would conceivably run into, could delay the letting of certain contracts. But as I see the progression of the planning of the States, their schedule that they have laid out on the significant portions of the Interstate, at this point I think I can tell you with some reasonable certainty that it will be finished.

Senator SYMMS. Thank you very much, Mr. Chairman. I guess that I don't know how much time we have allotted for questions. I may want to submit a couple more questions. I don't know that it does any good to go ahead and beat this horse about the amount of money we are spending. I haven't heard a satisfactory explanation of this yet, and I have argued with my colleagues a lot.

Some of them maintain that there is no money in that Trust Fund, but if that is the case, why do we get $1 billion interest added to the Trust Fund?

It seems to me that if we are going to restore the trust to the words "trust fund" that we have got to address this issue head on and either do as I suggested at the outset of the meeting, either have a direct pass-through and that would not be beneficial to my State, I might add, because we get more money back in the formula process than we put in, and so we would substantially lose if it was just a dollar-for-dollar basis.

But nevertheless, if we are going to complete the road system and keep them up, it seems to me like we need to be focusing the dollars that people spend on highway taxes or user fees for the Trust Fund, but we need to spend it and not continue to accumulate this balance.

You made a comment; you said that the balance is about the same as it was. I wasn't aware that it was quite as high as it is getting. Aren't we actually accumulating about $600 million a month now more than we are spending?

Mr. FARRIS. Senator, if you count the interest in the next 4 years, you will see a rise in the balance. But in looking back historically, what I was measuring is actual outlays versus income. Over the life of the 1987 bill, for example, our outlays will be $65.8 billion. Our tax receipts would be $64.5 billion. So we are actually spending a little more than we have coming in, which means we are using some of the interest.

So I feel, even though Senator Reid made an excellent point about the interest, it ought to be used, and I can't argue that point with you. But if we take the money that is being paid in and the money that is actually paid out on the highway program, we have pretty much met that objective of spending it as it comes in.

Now, the Byrd Amendment, as you are all familiar with, would require us to keep somewhere around $6.6 billion in the Trust Fund to meet that obligation. When you look at the end of December, for example, we had contracts executed across this country in excess of $40 billion.

We had unobligated balances in the State accounts of about $17 billion. That was in December. The States still have $9.2 billion of unobligated limitation to use before September 30 plus some funds not subject to the limitation.

But we look now at a growing unobligated balance, and I think we all ought to be concerned about it. These are funds that have been apportioned to the States that they have been unable to obligate. This problem will continue to grow because of the constraints on spending. But if we look at what we are obligating ourselves for, what we are going to spend cash for over the life of this bill, we are, I think, exhibiting good fiscal constraint and fiscal responsibility. We are managing our cash well, interest aside, Senator Reid.

I think that is a decision of resource allocation. We are struggling with it here in this nation's capital, how we manage our national resources. We are trying to use the cash that is being made available by the users aside from the interest that would be paid to us by the general fund. We are trying to meet that obligation and expend those funds for highway use, and that is what our proposal encompasses.

If Congress wants to make a decision to draw down the balance of the Trust Fund, to use the interest, then that is a resource allocation that Congress is charged to make. We could obviously use the revenue. We can say to you, we could say the needs on our system could obviously use additional revenue.

Senator SYMMS. It wouldn't be difficult to have a program, take the same 3,500 people or 3,600 people to run a $16 billion program as opposed to a $13 billion program.

Mr. FARRIS. Interestingly enough, Senator, I think we could.

Senator SYMMS. That is what I mean. It is a matter of sending the money out at this point.

Mr. FARRIS. That is correct.

Senator SYMMS. Out to Idaho we live massive distances to build roads on, and people complain constantly about the failure to have the primary system supportive of the Interstate system. The pledge out there is that we were supposed to get the primary system built when we completed the Interstate, and the Interstate was supposed to be completed by 1970 or something.

Mr. FARRIS. Yes.

Senator SYMMS. Here we are, almost 1990, and we still haven't completed the Interstate, and we still have our north-south highways of our primary and secondary system in poor shape, in many cases, and those roads can cost $1 million a mile because of the mountainous terrain and weather conditions and drainage problems.

It is very expensive to keep up those roads and to build them. It just seems to me that if we could run a program and push it up to $16 billion, that that is what we ought to do.

Mr. **Farris**. You are right on target on the amount of money; $16.775 billion could be obligated in each of the next 3 years to fully utilize funds authorized under current law, sustained and still meet the Byrd Amendment requirements, with our forecasted revenues and using Senator Reid's admonishment that we use the interest.

Senator **Symms**. That is what I personally prefer to do, but if we can't do it, I can assure everybody that I am going to vote to just send the money directly back for about three or four months until we bring the Trust Fund down, and then we won't have bring argument into it. Okay? Thank you, Mr. Chairman.

Senator **Burdick**. Senator Pressler has arrived. Do you have an opening statement?

OPENING STATEMENT OF HON. LARRY PRESSLER, U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator **Pressler**. I have a statement I will place in the record. I have one or two questions I will ask for the record.

Senator **Burdick**. Without objection, the Senator from South Dakota's statement will be entered in the record.

[Senator Pressler's statement follows:]

Opening Statement of Hon. Larry Pressler, U.S. Senator From the State of South Dakota

Mr. Chairman, thank you for holding this timely hearing to discuss the Administration's proposed Federal-Aid Highway Budget for Fiscal Year 1989. I will keep my opening comments brief, but do want to congratulate the Chairman for recognizing the importance of addressing this budget proposal. In addition, I want to welcome the many distinguished witnesses who will be testifying before this Committee. I look forward to hearing from them and receiving further information on the FY89 Federal-aid Highway Budget.

Senator **Burdick**. Senator Mitchell.

Senator **Mitchell**. Thank you, Mr. Chairman. Under the Budget Summit Agreement reached between the President and the Congressional leaders, it was agreed that there would be a 4 percent reduction in spending in fiscal 1988 in non-entitlement programs and then a 2 percent increase in 1989.

There was a 4.6 percent cut in highways in 1988, and now you are proposing to reduce the obligation another 3.3 percent. Why?

Mr. **Farris**. Again, I get back to my statement earlier. What we tried to do is to balance our outyear outlays so that we could remain deficit neutral. So looking at 1988 to 1989, 1990, 1991, our outlays are going to be $39.5 billion. Our tax receipts are going to be $39.6 billion. There is about a $200 million cushion, which is pretty tight. What we tried to gauge on was the anticipated revenues versus our anticipated outlays, not necessarily the figure of 4 percent or 4.2 percent.

Senator **Mitchell**. One of the effects of reducing the obligation and then your additional suggestion that the 50 percent exemption from the obligation ceiling for demonstration projects be repealed is to reopen this whole issue.

Mr. Farris. Yes.

Senator Mitchell. I heard you say in response to Senator Symms' question that you have been there for a year and a half.

Mr. Farris. Yes, sir.

Senator Mitchell. Therefore, you are aware that for two and a half years, a year preceding your coming there, we wressled with this issue here in the Congress. Some of us, Senator Symms, Senator Stafford, Senator Burdick, and I and others were involved in this for two and a half years. We had one of the longest series of conferences in history. We passed a bill that represented a delicate compromise.

Mr. Farris. Yes, I understood that.

Senator Mitchell. There were a lot of competing interests and a lot of intense feelings on all sides. Senator Symms did a magnificent job in leading the fight to increase the speed limits. Some of us didn't agree with him, but he stuck with that.

A lot of the House members wanted many more demonstration projects. I, myself, had one of great interest to me. I just want to say to you now that you are reopening a can of worms by coming up here and, in effect, saying you lost when we passed the bill; you lost when the President vetoed the bill and the Congress overrode it; and now coming back again and trying to kill these demonstration projects through the mechanism of reducing the obligation ceiling and repealing the exemption to 50 percent.

I know you think that is good policy, and there is a valid argument for that point of view. But I am telling you, if you want to have another two and a half years of this, then you will pursue this proposal. Because this was a controversial issue. I don't know how many hundreds of hours and dozens of conference meetings that we attended, and I think my colleagues will attest to that.

It was very difficult, and we finally reached a compromise. The President vetoed it, as was his right. The Congress overrode the veto, as was its right. You are making a profound tactical error, leaving aside the question of substance, to come in here now and attempt to reopen that and to select those items of that delicate compromise that the administration didn't like and to get those repealed while keeping those that you did like.

As far as I am concerned, having spent two and a half years in that struggle, that is not the way you do good business. A compromise means everybody compromises, and then to come back after the compromise is done and say, "Well, we will keep the things that I wanted going into the compromise, but now let's reopen those that I didn't like going into the compromise," it really is going to make it very difficult, and we don't want to go through that.

I don't want to go through that. I won't speak for anybody else here. I just say right now that as far as I am concerned, I will adamantly oppose, strongly oppose that, and I believe that you are going to have even more problems on the House side.

I will guarantee you this, and Steve Symms will, I think, attest to this: You come back and try to reopen those demonstration projects on the House side, and we are going to have another Donnybrook over the speed limit; we are going to have another Donnybrook over every issue that was in that conference last year. Because you can't reopen just one part of that that you want to reopen and say to people who feel the opposite way on other things they can't reopen their issues, as well.

So I just give you that point of view, and I strongly encourage you. I know you have made this proposal now, but as we proceed with this, I hope you are not going to pursue that course of action, because it will cause a lot of problems and ultimately, I think the Administration will come to ruin.

I would like to ask Mr. Ehrlich a question. In your written statement, you referred to the Byrd Amendment. Could you provide us now, or if you cannot, in writing, an estimate of what the obligation level could be while adhering to the Byrd rule? That is, what is the maximum obligation level that would be permissable while adhering to Byrd Amendment rule?

Mr. **Ehrlich**. I would like to do so on a formal basis in writing. Mr. Farris suggested $16.8 billion, but I wasn't prepared with an estimate, and we will be back to you.

Mr. **Farris**. $16.775 billion under current authorizations would be our estimate.

Senator **Mitchell**. Sixteen?

Mr. **Farris**. $16.775 billion.

Senator **Mitchell**. Okay. So the only point I want to make, which that figure makes, is that reducing the obligation ceiling as proposed by the administration from $11.78 billion to $11.39 is unrelated to adherence to the Byrd Amendment?

Mr. **Farris**. That is correct.

Mr. **Ehrlich**. That is true.

Senator **Mitchell**. Any reference to the Byrd Amendment and its operation on the obligation level should not be construed as providing support for the proposed reduction in the obligation level.

Mr. **Ehrlich**. That is safe to say.

Mr. **Farris**. That is correct. Senator Mitchell, our proposal, as I have tried to explain, meets what we think is our tax receipts and our projected outlays.

Senator **Mitchell**. Yes.

Mr. **Farris**. It was basically that.

Senator **Mitchell**. Okay. Mr. Chairman, I have several other questions, but I know that other members have time constraints, as I do, so I will submit them in writing, and I thank you, Mr. Chairman. Thank you, Mr. Farris and Mr. Ehrlich.

Senator **Burdick**. Senator Mikulski.

Senator **Mikulski**. Thank you, Mr. Chairman.

Mr. Farris, I want to reiterate some of the points that have been made by my colleagues, particularly as they relate to the fact that the Coast Guard is in budget function 400, and therefore, several most worthy programs are ultimately pitted against each other in the budget fight, so to speak.

You know that in all probability, I will be introducing legislation to amend the Budget Act to take the Coast Guard and put it into another function. I just want the record to show that.

In addition to that, we are concerned that, for all intents and purposes, the 1989 budget reduces highway programs by 5 percent and cuts mass transit substantially.

For areas like ourselves, this is absolutely devastating. As you know, we go from deadlock. We don't want gridlock. I am sure you read Mr. Grouch in the Washington Post.

Mr. **Farris**. I am proud of the highways in Maryland.

Senator **Mikulski**. From the Gladys Spellman Parkway to High-Tech Highway and Route 270 and so on, these present problems.

What do you think are the effects of the proposed budget cut on a State like mine, and what do you suggest we do about it? Are you asking the States to raise their gasoline taxes, or how should we cope with this?

Mr. **Farris**. Senator Mikulski, there are several things that I think we ought to look at as we find ourselves in the difficult process of resource allocation. I think that is what the bottom line here is as we look at our capacity to produce capital wealth in this country and how we are going to apply it.

Obviously, I am going to be an advocate for transportation as being one of the high-priority items in doing that. But in so doing, I think we need to play our role in this. There are several things that could occur for us. One, we need to be as efficient as possible with the funds we do have available. We need not unnecessarily encumber the use of these funds.

I say that in all candor to you. Allow the States, as best we can, to set reasonably-established priorities on the expenditures of these funds, and they are tough. It means that when you set priorities, with some people you can say, "Yes, I am going to fix your road." To others, you are going to have to say, "You are going to have to wait." That allows us to at least address the needs within a given State based upon the functional requirements of that State.

I think we need to improve the efficiency. I say this to contractors, and John Hassell will be representing the contractors here before you this morning. They need to assume part of this burden and finish their job as quickly as possible, to do their job as efficiently as they can. I say to the engineers who design, consulting engineers, that we need to have better plans and better specifications; and to my staff and to the State DOT's, with Leno Menghini here talking about the State side of the issue, I say that we all need to be better managers of the resources that are placed at our disposal.

With that opening statement to you, Senator Mikulski, obviously, when I look at any projected needs in terms of urban congestion, in terms of repair and maintenance for our system, and the communities that are now requiring that a road be extended to them so that they feel part of this nation's transportation network, the need factors far exceed our revenues. We all know that.

So I think all of us have to commit ourselves to use the revenues we have as effectively as we possibly can. We know some States are going to have to raise their revenues, and some aren't. They are trying to face that issue, by looking at the needs within their States and identifying those that are strictly State needs. These ought to be funded by State revenues.

There is where I think maybe we need to move toward in the early 1990s in trying to decide the system that ought to be addressed out of the Federal tax base and those systems that ought to be funded through a local tax base.

Maybe bringing our systems into better alignment is a key answer to us here. But State roads that are principally State functions ought to be funded out of the State tax base, with those decisions being made at the State level. You and I can only struggle with trying to fund the network that would have a national significance to it across State lines.

That network connects our State capitals together and gives us the capacity to remain reasonably mobile from coast-to-coast and border-to-border across this country. But we are going to have to make sure that we are committing ourselves to be good managers with the resources that we have, because we are not going to have all of the money that we could effectively use. That was a long answer to a tough question.

Senator MIKULSKI. It was a long answer, but it really doesn't give me an answer. I have a couple of questions, one related to the South Africa issue and local conditions, but one also related to motor carrier safety.

We are allocating $60 million for Motor Carrier Safety Grants; $10 million for Highway-Related Safety Grants; and then another $24.6 million for Motor Carrier Safety Operations. Could you comment on just what the Motor Carrier Safety Grants and the Safety Operations do? What do we buy for that $60 million?

Mr. FARRIS. The system is primarily aimed at our Motor Carrier Safety Assistance Program, or the acronym MCSAP. That is really a State-operated program that we support with grants to the States. This is where we are performing inspections of trucks, out on the roadside. We are finding that we are more than doubling our inspection rate this year of trucks on our system.

Your State is doing an excellent job, by the way, Senator, in this area, and I compliment Maryland for their real emphasis in motor carrier safety. They are being supported through that $60 million.

Senator MIKULSKI. So what, essentially, the motor carrier safety funds do is pay for part of the inspection?

Mr. FARRIS. Part of it.

Senator MIKULSKI. And then that inspection is, first of all, vehicular inspection, adequacy of brakes, et cetera?

Mr. FARRIS. That is correct.

Senator MIKULSKI. Then, Mr. Farris, what about the issue of substance abuse on our highways, one that gives all Americans pause. Is part of the motor carrier safety involved at all in those issues? I know that for example in Maryland, we are very much concerned about the drunk driving issue. We have had 34 people killed or injured just in January alone.

But is part of the motor carrier safety functions also testing for substance abuse of any kind?

Mr. FARRIS. As far as the testing in motor carriers, the only one we are doing now is in the event of an accident. There is a requirement that a driver be tested at that point. Alcohol support would come through the 402 funding grant that would go to the States for increased surveillance on their system by highway patrols.

It pays overtime for additional surveillance by the highway patrol within a given State. So we are trying to support the removal of the drunk driver from the system through those funds.

Senator MIKULSKI. I want to go on to another question, but I cannot encourage you enough to provide management leadership to States for this motor carrier safety aspect, both in terms of vehicular safety, operation, and maintenance and then also for the drivers themselves.

When you have automobiles now that are only 14 feet long that are lightweight up against 18-wheelers, there is no even match on those highways. I personally drive a Chevy Celebrity and feel a little bit more solid than when I rode around in a small subcompact. But I will tell you; you feel like sometimes you are in an aluminum can on four wheels up against a pretty bulky truck. I can look in my rear view mirror and read the license plates in reverse. I can tell you for most Marylanders, we really feel put upon by the trucks on 95. I know that they are Marylanders, including myself, that are now using their car phones to exactly call in these abusers on the highway.

I would encourage you to perhaps set up citizens on patrol on the highway to be involved with State Police, because I see trucks bobbing and weaving with the agility of Michael Jackson out on the highway. It is very terrifying.

I say it in a witty sense, but I tell you, when you are on that road and you are 4 foot 11 in a little car and these guys come down on you, you are pretty scared; even me, and that is something.

Mr. FARRIS. Let me just compliment your State, though, Senator. They have been doing, I think, some very innovative things out on the Interstate; running patrols and pick-up trucks; trying to make sure not so much to just catch these violators that are on the system, but to at least not send signals that they can stop before they are pulled over so they are using Camaros; they are using all sorts of non-specialized vehicles; they have put on a fishing hat in the car so that they are not easily spotted.

I think they are doing an outstanding job. The word has gotten out all up and down the East Coast that when you come through Maryland, you better watch out.

Senator MIKULSKI. You have got a Senator with license plates and a car phone, too. My last question relates to the implementation of anti-Apartheid procurement policies. I have a county in Maryland, one of 180 in the United States, that passed legislation at the local level restricting investments for procurement activity with any company that might have holdings in South Africa.

Your agency said the Federal Contract Bidding Law precludes local jurisdictions from doing that and that they had to go to the lowest bidder, even if that bidder in some way had business interests in South Africa.

Do you plan to propose a legislative remedy to correct this? Essentially, we have a conflict there, and we give local governments authority to engage, to essentially be able to have some control over their own destiny.

Mr. FARRIS. You ask me do I propose legislation to correct that? I no not.

Senator MIKULSKI. So you do not intend to do that.

Mr. FARRIS. No.

Senator MIKULSKI. How does the Federal Highway Administration intend to reconcile its decision to do that with the intent that the Congress, as I understand, has in the law—they are poorly drafted, I might add—allowed local governments to regulate their own commercial activities with South Africa.

Mr. FARRIS. What I have got to do is to try to enforce the Federal bid requirements, and we will do that without any substantive change in the Federal bid requirements process. We will do that.

You asked me was I going to propose legislation to deal with that, and I simply recited I was not.

Senator MIKULSKI. Has anyone raised this issue besides myself?

Mr. FARRIS. You are the only one that I know of.

Senator MIKULSKI. Essentially, Howard County is the only county of the 180 counties to have issued concern about this?

Mr. FARRIS. As far as I know, that is correct.

Senator MIKULSKI. Thank you.

Mr. Chairman, thank you for those questions.

Senator BURDICK. Senator Warner.

Senator WARNER. Thank you, Mr. Chairman.

We welcome you.

Mr. FARRIS. Thank you, Senator Warner.

Senator BURDICK. Very fine.

Senator WARNER. All of us work very closely with our Commissioners of Transportation, and we have a particularly outstanding one, Ray Pethtel.

Mr. FARRIS. I know him quite well.

Senator WARNER. You know him quite well?

Mr. FARRIS. Yes, sir.

Senator WARNER. Virginia, as you know, is working very hard to meet its transportation challenges. Our Governor has inaugurated a very major program. He has had my support through the years. Yet because of the constraints on the Trust Fund, subject to the discussion this morning, the obligation ceiling, which does not allow Trust Fund balances to be spent and a variety of other constraints, both administratively and congressionally implied, applied, my State cannot meet the needs of our program and the people.

In fact, the Virginia Department of Transportation estimates that by October 1 of this year, 1988, Virginia's apportionment balances will be approximately $180 million, almost a year's Federal entitlement, but Virginia cannot obligate those funds.

Virginia is faced with having to defer major Interstate construction projects to adapt to that shortfall. At this time. I would like to introduce into the record for our witness a letter from Ray Pethtel dated February 26 of this year. (See p. 27.)

Can you comment on this situation, how you might act to assist those States to meet their responsibilities and how they can make up for the funds that they have relied on to be there from the Federal Government?

Mr. FARRIS. Senator, you touched on a lot of things. It is a serious concern of ours, the growing unobligated balances across this country. These are going to grow to somewhere around $12 to $13 billion by the end of this current Act.

These are funds that have been apportioned to the States, but that they have been unable to expend. I think this is a serious matter, and it is a matter that at some point we are going to have to allow the States to expend those balances.

However, because as we are faced with the constraint of trying to match our outlays with our income, I can see no real quick answer to that, Senator. This is what we have proposed, and I support it. We proposed a program that will do that. Over the life of this bill, we will be expending our receipts that come in. Again, Senator Reid reminds me we are not spending the interest, and we are not. But that doesn't give an opportunity for Ray Pethtel, an excellent administrator, who followed Hal King, also an excellent administrator for Virginia, not to have a good highway program there. Virginia has a good department. It is well-operated, and they plan well.

But they are, as I was, when I headed the Department in Tennessee, concerned about the inconsistency of our funding. That has been a real problem because of not being able to plan on a level of funding coming from us, and I think all of us need to share that burden. To say to them, "Here are funds that we are going to appropriate to you, but you can't spend them," is a frustrating posture to be in.

At some point, we need to allow those unobligated funds to be used. I don't see that happening in the next two or three years. I just don't see us, in the position that we are in at the Federal level, trying to commit ourselves to bring our Nation's fiscal affairs to some reasonable level. If Congress wants to decide to set obligation levels that cause expenditure of the interest, which would have to come out of the General Fund, to draw down our balance in our Trust Fund, or even to use the Trust Fund monies for other purposes, then that is a decision that we will have to make in terms of our resource allocation.

We made a deal, the administration did, on a deficit reduction package. I think we have met our commitment in this budget, as tough as it is. I would like to come here and present to you a $16 billion budget, but that wasn't the deal. I think we have met our commitment on our side, as tough as it is, and it is not easy to sit here and defend that. I think a deal is a deal, and we are going to have to face up to it. What I can simply say to the American taxpayers who are paying gasoline taxes into the Highway Trust Fund is, we are going to use those dollars.

I think I pointed out to you that our projected outlays at the end of this bill is $39.5 billion; our anticipated revenue is $39.6. That is pretty tight, and our obligation ceiling is based on that. Last year we actually spent more money than we had coming in but over the the next few years, we want to pretty well balance out, with the exception of the interest.

I have no quick answer for Ray Pethtel on his unobligated balances. That is just part of the process that we are going through.

Senator **Warner**. I would like to submit another question for the record and will hand it to you. It was asked of Secretary Barnley last week in the House. We would like to put it to you, and I thank the Chair and my colleague.

Mr. **Farris**. Thank you, Senator.

[The letter Senator Warner referred to follows:]

COMMONWEALTH *of* VIRGINIA

DEPARTMENT OF TRANSPORTATION
1401 EAST BROAD STREET
RICHMOND, 23219

RAY D. PETHTEL
COMMISSIONER

February 26, 1988

FY 88 Federal Program

The Honorable John W. Warner
United States Senate
421 Russell Senate Office Building
Washington, D. C. 20510

Dear Senator Warner:

I note that the Senate Environment and Public Works Committee will be holding hearings on February 29, 1988, to discuss the proposed FY 89 proposed funding levels and would like to take this opportunity to give you some insight into the very severe difficulties being experienced by the Department due to the cutback in federal funding.

As of October 1, 1988, we anticipate that our apportionment balances will be approximately $180 million dollars. This represents funds to which the Commonwealth is entitled which cannot be spent for critically needed highway improvements due to lack of obligation or spending authority. Our basic obligation authority for the current fiscal year, exclusive of the interstate discretionary and demonstration projects, was $203.6 million. In other words, the apportionment balance of $180 million is approaching and will by the end of FY 89 exceed a full year of federal entitlements.

In order to adapt our program to the obligation authority shortfall, we have deferred approximately $100 million dollars worth of work anticipated for advertisement this fiscal year on the Interstate System.

In developing our strategy for the balance of the fiscal year, we have committed what we consider State funds to be the maximum under the advance construction provisions of federal law; however, the State funds must be recovered as soon as FY 89 obligation authority is available for project conversion. While the advance construction provisions of federal statute are a needed device for the acceleration of work, they are not a viable alternative to offsetting the long-term impacts of the obligation authority shortfalls.

We have corresponded previously relative to the merits of moving the Highway Trust Fund off budget, to the elimination of the demonstration projects, and other programs that come off the top prior to apportionment, to the elimination of provisions of the 1987 Act that provide increased opportunities to certain states in availing themselves of federal funds to the detriment of other states, and to the apportionment and authorization of the full funding that could be supported by the Highway Trust Fund. Such obviously cannot be accomplished until the new legislation is drafted.

Virginia has traditionally been able to obtain obligation authority which could not be used by other states. I believe that many of the states are in the same position as the Commonwealth, and as a consequence, that little if any obligation authority will be available for redistribution in September.

At the upcoming hearing, I urge you to raise this issue. There are sufficient revenues in the Trust Fund to accommodate the elimination of the obligation ceiling, thus allowing states to spend their full apportionments. Even a narrowing of the gap between apportionments and obligations would be helpful to Virginia and other states.

Thank you for your consideration of our concerns.

Sincerely,

Ray D. Pethtel

Ray D. Pethtel
Commissioner

cc: The Honorable Gerald L. Baliles
The Honorable Vivian E. Watts
Mrs. Stewart Gamage

Senator BURDICK. Senator Pressler.

Senator Pressler Thank you. Would you be kind enough to provide for the record a list containing the amount each State would receive under the administration's proposed budget? Perhaps that is already in your testimony.

Mr. FARRIS. I will be happy to do that.

Senator PRESSLER. Also, would you provide a comparison of the proposed budget to the actual appropriation distributed over the past 5 years?

Mr. FARRIS. Yes. I will be happy to do that, sir.

Senator PRESSLER. Thank you. Let me talk just a little bit about the philosophy. I come from South Dakota, where we have long, cold winters which do a lot of damage to the roads, and not only to our roads, but a lot of people from across the country travel on the roads and so forth. How do you think the basic formula is working out in terms of distribution of these funds?

Mr. FARRIS. Senator, it takes a rather lengthy answer to that one. Just a quick answer, it is working reasonably well. But I would have to say to you, with a caveat, that in my judgment, this is one of the areas we need to look at very carefully, that is, how funds are, in fact, authorized programmatically. It gets back to the very basic issue, I believe, of what is our responsibility at the Federal level versus the responsibility of South Dakota? Should we, in fact, be involved in certain roads that are strictly of local interest using Federal dollars with all of the incumbrances that come with those Federal dollars?

Or should we, in fact, be more focusing on a system of national significance, roads that carry us across State boundary lines and connects you to other capital cities across this country, links you into the national system.

That leads to the distribution process. In terms of applying the dollars, we obviously know that certain States, yours being one of them, receive more than they pay in. I am not sure that that is a bad system. That is part of the process of being a member of the Federal fabric here; that certain States are going to be paying more into the fund that they actually receive, but they also benefit from the vehicles that pass through their States, from commerce that is allowed to move from coast-to-coast that passes through and into these States.

It is very important to the economy of this country that we have that kind of linkage and that kind of continuity of our system. That means we all must share in that cost. But the basic premise of your question, I think, gets at the heart of a study of the application of the resources that we do have on a system that has significant national interest.

Senator Pressler Thank you very much.

Mr. FARRIS. Thank you, sir.

Senator BURDICK. Mr. Farris, there is a section of your testimony that I just can't fully understand.

Mr. FARRIS. I can appreciate that. I have done the best I can.

Senator BURDICK. You said you spend the receipts as they come in?

Mr. FARRIS. Yes, sir.

Senator BURDICK. But that doesn't include the interest.

Mr. **Farris**. It does not include the interest.

Senator **Burdick**. Isn't that a receipt?

Mr. **Farris**. Well, it is certainly a receipt, Senator, and I don't argue that point with you. We would be pleased to use the interest. We know where the interest has got to come from. It comes from the General Fund. The position that the President has taken that we have supported in our presentation to you this morning is that we are going to remain deficit neutral in terms of managing the Highway Trust Fund.

In so doing, we are not trying to contribute to the deficit, so we are going to expend the tax receipts over the life of this bill, exclusive of the interest.

Senator **Burdick**. That interest accrues because of the Highway Fund, does it not?

Mr. **Farris**. That is correct. I can't argue that point with you.

Senator **Burdick**. It is not tax money or anything like that, is it?

Mr. **Farris**. No, sir.

Senator **Burdick**. It is just as much money as the money you get from the gasoline sales.

Mr. **Farris**. That is correct.

Senator **Burdick**. But we will make a distinction of it. That is what I don't understand.

Mr. **Farris**. I have tried to defend my position as best I could. I appreciate your giving me that opportunity.

Senator **Burdick**. I know that. It is a hard job to do.

Mr. **Farris**. Thank you, sir. I am going to be coming back here fairly soon for you to confirm me as Administrator. I hope you are just as kind to me then as you have been this morning. Thank you.

Senator **Burdick**. Thank you all for appearing here today. There will be some additional questions, I am sure, from members to the panel. We will submit them to you in writing, and I trust that you can get them back in a reasonable time. Thank you, gentlemen.

Mr. **Farris**. Thank you.

Senator **Burdick**. Panel number two, consisting of Mr. Don Hassell, Federal Highway Administrator from 1980 to 1981; Mr. Ray A. Barnhart, Federal Highway Administrator from 1981 to 1987, please come forward. Welcome. Welcome to the Committee. I am glad to see Mr. Barnhart here today.

Mr. **Barnhart**. Thank you. It is very nice to back.

Senator **Burdick**. It is like old times.

Mr. **Barnhart**. Yes.

Senator **Burdick**. Mr. Hassell.

STATEMENT OF JOHN S. HASSELL, JR., FORMER ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION, 1980-81

Mr. **Hassell**. Good morning, Mr. Chairman.

Senator **Burdick**. You may proceed.

Mr. **Hassell**. I have submitted my full remarks for the record, Mr. Chairman. I will just briefly summarize in the interest of time here this morning. It has been about eight years ago, I believe, since I had the opportunity to appear before this Committee, and at that time, we were discussing my confirmation as Administrator, but we spent most of our time talking about the obligation limitation, as I am sure Senator Stafford will remember in detail.

I think it is interesting that this morning that you have still had to spend most of your time concerning with the obligation limitation. I think that illustrates the inherent problems that affect the Federal-aid Highway Program because of the obligation limitation and the difficulties that occur when we apportion Federal-aid Highway funds and then tell the States that they cannot utilize those funds.

The inequities that result from such distributions and inability of the State to expend the funds create problems around the Nation and in each of the States and their programs. Trying to manage Federal highway programs with inadequate resources forces the States into continual revisions and creates significant diseconomies in the development of their programs.

All around the country, various States have had to change their programs to reflect the obligation limitation. Some States, as we heard this morning, have delayed Interstate completion projects because they simply didn't have obligation limitation to move them. Other States have chosen to go ahead with Interstate completion projects, but in the meantime, primary, secondary, urban and bridge funds are going unspent for projects that are urgently needed. And in most States, projects of high priority for economic development and highway safety are not able to move forward simply because the States with apportioned funds don't have available obligation authority to spend those funds.

During the past 8 years the States' unobligated balances have grown, the problems have gotten worse: Deferred maintenance; rehabilitation; reconstruction and congestion; additional capacity needs have all grown. In spite of the efforts of this Committee to increase the highway program with the 1982 bill, the fact remains that we still are not gaining upon the problems that we have out there on the highway system.

I would make a few suggestions to you that would help in this area. One is to provide sufficient obligation authority to the States so they can spend their apportionments. In checking with the States, it looks like somewhere around $17 billion could be obligated this year if the obligation limitation was not a factor.

Provide the obligation authority by October 1. When the States don't receive assurance of how much funding they will have before October 1, they have to revise and revise again their programs. This makes it very difficult to move the significant projects that many States need to move forward.

It is impossible to make the careful and very complicated compromises between environmental factors and citizens' concerns with a program that is constantly varying and when you cannot live up to your committments.

I think the Committee, as it looks at the program, needs to begin to give an early indication of where the program will be going during the 1990s. Many of the State departments are reaching watershed periods with their personnel that are retiring and other factors. They need to get some sense, as you look at the program, as to where it is going.

We need to continue to support our research activity at the national level. The Strategic Highway Research Program was a beginning step in that direction, but we need to make additional improvements in technologies for transportation.

I think all of this comes back to the fact that the obligation limitation is a major constraint, and until we are able to move the highway program off budget, there will be very little that the States can do to move their programs forward.

In working with the States and local governments, I know they spend an awful lot of their time trying to deal with their funding concerns. To provide a Federal program that is without the restrictions of constant revisions due to the budget, I think, is important.

Last year I understand that there were some revisions to the Gramm-Rudman-Hollings process in order to be a little more honest in the way that the deficit was being reported.

I would suggest that moving the Trust Funds out of the budget-balancing equation is a step, also, in the direction of honesty, both for transportation and for the nation's economic well-being. I would be glad, Mr. Chairman, to answer questions.

Senator BURDICK. Mr. Barnhart.

STATEMENT OF RAY A. BARNHART, FORMER ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION, 1981-87

Mr. BARNHART. Mr. Chairman, it is great to be with you again. After spending 7 years in this atmosphere I have garnered much wisdom, and thus have a particularly brilliant piece of testimony to offer, but in view of the time limitations, I will submit it for the record.

I do want to comment on a few specific things, however. Today, the country faces a transportation crisis of great proportions. I see no initiatives now underway which can be expected to forestall it. The actions of the Federal Government, business, and the general public indicate that the problem is either not understood or not acknowledged. I think all one has to do is look over at the overflowing press table (it's almost vacant) to see the kind of public attention that is focused upon transportation, not only in the halls of Congress and the administration, but in the country, generally.

Your's is a most difficult task: making choices. With limited tax funds available and increasing voter and institutional demands always upon you, in addition to providing for our national defense, I think the issue is what else, then, should be the Federal government's primary responsibility?

Should it be education, assistance to the needy, farm subsidies, housing, economic development, international trade, budget balancing and deficit reduction?

I submit that foremost among the Federal Government's responsibilities, in fact, is transportation, for all of those areas just enumerated are dependent upon it. Transportation is the essential element without which private enterprise cannot successfully function. I recognize that highways is but one aspect of transportation, for we must consider airline, maritime and railroad transportation, too, as well as give some consideration to pipeline and transit. But I will restrict my comments today to highways.

Statistically, we know how dependent this Nation is on transportation; 1.9 trillion miles traveled last year, accommodating 89.4 percent of all personal travel on that system and 84 percent of the dollar value of everything grown and everything manufactured in the nation. Travel increased nationwide at a rate of 4.6 percent above the level of the previous year and in urban areas, 7 percent.

The frightening fact is that the professionals of the Federal Highway Administration predict an increase in travel of 50 percent by the turn of the century. Transportation accounts for 18 to 20 percent of our GNP, and so we know that it directly impacts the cost of every product in this country which people rely on, and which they must use.

Look at our urban areas. We had a 25 percent increase in travel time, in travel delays, from 1983 to 1985. We expect travel delay to increase annually at another 8 percent each year until the the year 2005 unless mitigative steps are taken. That is why I sit in amazement as I listen to all the public figures, all those on the campaign trail today, who talk about the need for increased productivity and getting the U. S. to a point where it can compete in the international marketplace, and yet, at the same time, they refuse to spend the funds that are necessary and already available to improve the highway system upon which that productivity and efficiency depend.

I simply cannot understand it. We have submitted all kinds of data to document highway needs and the projected costs which are necessary to bring our system up to an acceptable level of efficiency. I don't know of any authority who estimates that the Federal government should spend less than $19 billion a year, based upon the current law.

The question, then, which must be answered is very clear: Is the proposed highway budget for fiscal year 1989 (a) prudent; and (b) adequate to serve the Nation's needs? I believe it is neither. I believe the report of the National Council on Public Works Improvement that was released just last week leads one to that same conclusion. Pure and simple, the Federal Highway Program is grossly underfunded.

The budget proposes that State highway departments be permitted to obligate $12.331 billion, but with annual needs of a minimum of $19 billion, the mathematics is indisputable; a shortfall of some $6.6 billion. We all know it, and we all recognize it.

The question is, then, what should we do in light of the deficit situation? There are solutions, but none of them simple, none of them without cost, and all of them politically difficult. Certainly, I do not advocate increasing highway taxes per se, although there are major inequities in the application of those taxes to classes of taxpayers which must be corrected.

To increase the fuel tax is unacceptable and would be counterproductive. Raising taxes will not solve our problem. I think we demonstrated that when we increased the fuel tax 5 cents and installed the diesel differential in 1982.

There are people who constantly talk about increasing taxes to balance the budget, and yet I would say that would be the most regressive and counterproductive measure that this Congress could take.

The Wharton School of Finance concluded just last year that a 30-cent gas tax would put 225,000 people out of work in a year and more than half a million by 1990. Income tax revenues would decline by $2.7 billion; housing would drop 2.4 percent, et cetera.

But our official actions, nonetheless, have also proven that increasing the fuel tax isn't the answer. I believe it is ethically unacceptable to build a huge balance of dedicated taxes in a trust fund, knowing that those taxes will not be spent for the promised purpose in order to spend more monies on other governmental problems without showing the expenditures on the bottom line of the unified budget. If Trust Fund money is not to be used, the Trust Fund itself should be abolished or the program will lose its credibility.

But I would point out that gimmickry with the Highway Trust Fund, and the Airport Trust Fund, for that matter, is not an innovation of this administration; it has been used or tacitly accepted by every Congress and every President since the days of President Johnson, when budget strategy incorporated the Trust Fund into the single unified budget.

It is precisely because of the unified budget system of accounting that the Highway Trust Fund balance will continue to grow. What constructively do I propose, then, to solve our $6.6 billion shortfall? Three things: The Trust Fund should be removed from the unified budget; tax exemptions and preferences which are given selected interests and thus, significantly reduce income into the Trust Fund should be abolished; and laws which the Congress enacts which literally require unproductive expenditures and prevent Federal and State officials from efficiently managing the highway program must be modified.

I would point out, however, that simply removing the Trust Fund from the unified budget in itself will accomplish nothing unless we also exempt it from obligation limitations and the machinations of the Gramm-Rudman law. If we did not, then it would be a free-standing fund only in title, and not remedy the present problem.

I know that we cannot simply take the Trust Fund off budget at the present time. It is not politically possible, nor do I think fiscally responsible or desirable, but I do think it should be phased in. I recommend that we set the highway budget each year starting from the revenue-neutral base, where income equals out-go, but then add interest and also add $2 billion from the balance of the Trust Fund. We should continue that procedure until the balance of the Trust Fund is reduced to $3 billion. It should still be subject to the Byrd Anti-Deficiency provision.

I would make a further compromise in an effort to help on the budget deficit reduction problem. I would waive the interest to the Highway Trust Fund if the Congress would seriously attempt to revise some of the laws that impose such waste and mismanagement of the program. We get about $1.2 billion a year in interest on that Trust Fund, but I am convinced that we spend far more than that unwisely because of laws which the Congress has enacted.

I would like to submit for the record some recommendations addressing those specifics areas, and I would plead with the Congress and this Committee, recognizing that you have jurisdictional problems in many of these areas, but you do control many of the elements concerning environmental hearings, regulations and laws, which add so many hundreds of millions of dollars in costs to this program each year. I mentioned the preferential treatment of some products.

Obviously, the gasohol thing is frightening. Here, at a time when we are talking about the need for additional monies to build the highway system this country urgently needs, we still permit $445 million a year to be siphoned from the Trust Fund by subsidizing the production of gasohol. We even had legislation introduced that would mandate increased usage of gasohol by 1992. If that billl were to become law, it would hit the Trust Fund for $4 billion a year. It isn't that I am opposed to the use of alternate fuels, but those autos that drive on the nation's highways with alternate fuels consume the highways just like everybody else, and it is grossly unfair that they not pay their fair share of the costs.

The States themselves lost another $335 million last year because of that gasohol exemption. I don't know of anyone in his right mind, except in Washington, that would take the real McCoy called gasoline and dilute it 10 percent with grain fuel and reduce its taxes two-thirds, especially when we are looking at these multibillion dollar deficits. I would plead with you to do something about that and increase the revenue that should be coming into the Trust Fund. I mentioned changes in the law. I want to applaud the Congress for changing the points of collections, as Federal Highway had urged you to do, on diesel and gasoline fuels.

Allied with that change is one provision that is especially desirable in this administration proposal.

I agreed a couple of years ago to the revenue neutral budget concept, but at the same time I also said that if our actual revenues are more than what was anticipated at the time the budget was set, those additional revenues should immediately flow into the system to be distributed to the States. I hope this provision will be adopted, because I genuinely believe we will receive at least $1 billion more in revenue due to the changes in the points of collection that had been anticipated.

I hope, also, that you will look very carefully at some of the technical corrections to the collection procedure. There are inequities that should be addressed, but for heaven's sakes, let's not create loopholes so people can continue to evade the payment of those taxes.

There is another thing that was brought up here about $5 million to work with Treasury to improve auditing. Figures show that we have increased revenues to the tune of $6,000 per hour of audit. That is why I asked for $5 million so that we could work with Treasury to improve collection procedures.

The Congress says that isn't right; Treasury ought to be collecting those taxes anyway. Well, the fact is they can't cope with it, and perhaps with $5 million out of the Trust Fund, which I think is legitimate, it would improve the auditing process, and it will sure be more equitable to everybody concerned.

There is another thing I think you should think about that I have not been able to get through the administration, and that is to allow some of the States to have a pilot program to collect some of the Federal diesel taxes at the same time they collect their own. Let's try to work with four or five states; give them that authority; let them take 10 percent of the Federal funds off the top for their costs involved in the collection and to improve their audit procedures, and I will lay you odds we will pick up a lot more income for both levels of government.

I have probably overstayed my welcome, but in any event, I feel strongly about these issues. I know when we look at what our demands are, the need for increased highway capacity, that this economy cannot stand to have transportation ignored. I feel strongly about the Trust Fund issue.

Because of that, and because I have met so many wonderful people here in Washington who share that same concern, some of us are going to try to do the impossible. We are organizing a committee, a non-profit, non-partisan, non-PAC strictly educational committee to do one thing, and that is to find a way to get the Trust Funds off budget. We will be working with you, not in opposition, to try to do what we think is desperately needed and is only equitable if we are going to restore some trust in that Trust Fund.

That, gentlemen, I guess, is about all I have to offer.

Senator BURDICK. You gave us quite a bit.

Mr. BARNHART. I think the money is there, Senator. I don't think we need more taxes. I think we have to use our money wisely, and I don't believe that the people in the Congress truly understand how much money is wasted or at least not wisely spent trying to comply with laws which were well intentioned, but which do not well serve the public now.

It wasn't because of the FHWA Federal bureaucracy that we spent $3 million to count fish in the Hudson River. It wasn't Federal Highway's desire to spend $600,000 to build a sound wall alongside a cemetery when a cheaper alternative was available, or to have the cost of H-3 go from $263 million to $800 million.

The reason that was done is because accountability has been removed from the system where the Federal Government pays up to 95 percent of the costs, and there is no requirement at the local level that is meaningful. Some folks are so disillusioned with this highway program now, they want to abolish it and say, "Give it back to the States under the guise of Federalism."

Well, I will tell you, as a conservative from Texas, I believe in this highway program, and that "redistribution of the wealth" of highway taxes is essential if we are going to have the national highway system our country's economy needs. We have got to help the smaller, less-populated States that don't have the tax base to have a highway system if we are going to keep this country economically viable.

So I applaud that. Unfortunately, people don't understand the highway program. They look at the abuses, and they blame the bureaucracy, when it is not the folks at Federal Highway who are to blame. We spent $87 billion during my seven years. Our total administrative costs of operation were 1.3 percent, pretty darn good. Yet I know we blow 25 percent of the value of the dollar because of the laws.

I sure hope you challenge me on that and get the States in here to try to work to correct the program and not kill it.

Thank you, sir.

Senator **Burdick**. Thank you, again.

Mr. Hassell, let me ask you what you think of Secretary Bernley's turnback proposal where responsibility for the highway program will be turned over to the States.

Mr. **Hassell**. Mr. Chairman, there have been several proposals through the years to turn the program back to the States. It is hard, given where we have come, not to find those very attractive. I say Mr. Barnhart, though, makes a good point; that we have to have a Federal program if we are going to have the kind of transportation systems we need for the national economy.

Unfortunately, when the revenues are sent to Washington and according to the testimony here this morning, we can get a 40 percent return if we use it on transportation and instead, we invest it in government securities. I think the States' level of frustration is starting to show, and that is part of what Secretary Bernley was reflecting in his remarks. I think that we have to work to iron a lot of the problems out of or we may be faced with that alternative.

Senator **Burdick**. What is your view of the administration's deficit-neutral concept which permits revenues but not interest to be counted as income to the Highway Trust Fund?

Mr. **Hassell**. As I mentioned, I believe the interest investment of the Trust Fund is a has a very poor return on the Trust Fund dollar. I think the interest is part of the Trust Fund, and it should be considered in the expenditures. The Byrd Amendment very wisely makes sure that the highway program does not contribute to the deficit, and that should be what we allow to control the obligation levels.

Senator **Burdick**. Senator Stafford.

Senator **Stafford**. Thank you, Mr. Chairman. I have no questions, but I do have a brief comment. I have listened to two former administrators of the highway program this morning and noted especially that Ray Barnhart has called it as he sees it. I began to reflect on the fact that it would be interesting were I to stay on in the Senate and not be retiring myself to hear what Mr. Farris might have to say next year if he comes back here as a retired Federal Highway Administrator.

This is not a very serious comment, Ray, but you referred to $600,000 being spent for a sound wall by a cemetery; I suppose it would be very difficult to ascertain what degree of satisfaction the repository people might feel.

I suppose that money might better be spent in some other way. I appreciate what both of you have said here this morning, and Mr. Hassell, I remember your appearances in front of the Committee when I was the Ranking member some 8 to 10 years ago and Ray's while I was Chairman and now I am back as the Ranking member again. It is a a pleasure to see you both, and as I say, I have no questions, but I appreciate your testimony.

Senator **Stafford** [presiding]. Mr. Symms.

Senator **Symms**. Yes, thank you very much Mr. Chairman. I would like to welcome you both here. I apologize for being absent, but I had a meeting to attend. I missed both your testimony, and I will carefully read through what both of you said. A thought occurred to me earlier today, and I might just ask you to comment on this. I think what you are trying to do, Ray, is very noble, and I support your efforts.

We have a problem here in the Congress. The point you make about highway funding in Western States, States that are two-thirds owned by the Federal Government, and Montana is a good example. It is a huge State; has 1,300 some miles of Interstate system and 750,000 people. The Federal government owns about half of the state, I think.

There is no way that they are going to be able to maintain the roads. Some of my conservative colleagues come in and say, "Well, we will just fund it at our own level, put a toll gate on each end of Montana," there still isn't enough traffic, isn't that correct, to fund that highway system that way?

Mr. BARNHART. No way that those smaller States, North Dakota, South Dakota, Montana, Nevada, Idaho, you name it, there is no way that they have a sufficient tax base to support a highway system to get their crops into market, which is so critical to the rest of the country, let alone to allow the rest of the country to drive through the States.

Our conservatives do not understand it. That is what this Committee is going to do, is try to enlighten people.

Senator SYMMS. That is the problem with me. I have been on the Board of Directors of the American Conservative Union for 15 years and normally we get right up close to a 100 percent rating. They downgraded me because of my votes on the Highway Program.

I haven't decided whether to resign from the Board or not, but it is an irritation to me, as a conservative, to not have people understand.

I thought the President was given bad advice when he vetoed the highway bill, because as a conservative Governor of California, he would have been in there beating the brains out of the Congress for not spending this money. Now, all of a sudden, and he, in his private conversations with me, he agreed with me that we should spend the money that is in the Trust Fund, but then he turned around after getting some bad advice, and I don't blame you for that, and decided that he would veto the bill.

But it was with a great deal of consternation, as far as I am concerned, and out of loyalty, a lot of Senators from the West voted with the President, and in my view, their votes are unexplainable if they are supposed to represent their States.

Mr. Chairman, I have got to apologize. Senator Byrd has called me twice and asked me to come to the floor because he and I have introduced an Afghan resolution that he wants to bring up. So I am going to excuse myself, and I will try to get back for the remaining witnesses. But if I can't get back, I want to apologize in advance to them.

I would like to ask one question of Ray Barnhart, who just left the administration, as I close, and that is, how much money could be saved if we gave this money to the States, no strings attached? In a State like Idaho, we really do, as you know, get back a big return on our investment in the Federal Highway Program; I have to be honest about that. We are getting back anywhere from a $1.85 to $2.00 for every dollar we put in. If we did end up, because of this frustration, in a pass-through situation, how much money could we save if that money didn't have Federal strings tied to it and you just got the money back and you didn't have to worry about the Harvard marketing studies or all the other nonsense that goes on.

Mr. **Barnhart**. I get a little wild on some of those statements, because I believe the cost is tremendously high. But I would suspect, really, you could pick up 20 to 25 percent more purchasing power out of your dollar if you didn't have the Federal strings. Good Lord, we are paying over $25 an hour for unskilled labor out in California on Interstate work. Why? Because the Federal Government picks up 92 percent of the cost. It is phony; it bears no relationship to the real world. It adds one-half billion dollars a year to the costs of the projects. You have that in every State.

It isn't that I want people to work for slave wages. I really don't, but certainly, the market condition ought to dictate something, and there shouldn't be an extra dip simply because there is Federal Government involvement. Senator Stafford, we had that in the fantastic bridge up there with three different prevailing wages, one $10 per hour higher than just across the river.

It doesn't make any sense. It is political gimmickry. That is why we don't get value out of the dollar. On the environmental side, I am still convinced while there is polarization, extremism on both sides, people of good will, when they look at a problem, can come up with some kind of accommodation if they'll look at the problems honestly. Why do we constantly give so many people continuing bites of the same apple? Why do we allow a project to start in development, then for example, the advisory council on historic preservation six months later comes in with additional comments, and takes another bite, and later again says, "Oh, we don't agree with that." Years pass, and costs escalate.

Back to the drawing boards, then you resume work again, and then you have a "fish" issue; then you have another issue. Why in the name of heaven can't we require that all of the people who are involved representing various interests sit down at the beginning of the planning process, identify the problems, and then address them. Kill the project or modify it, but for God's sake, some of these projects go on for fifteen years, sixteen years. It is ridiculous, and there is no one held to accountability.

It is a major problem, and I wish you would call in the Federal Highway authority to testify on these things.

Do you know Federal Highway Administrators can't sit down with the heads of the State Highway Departments to discuss problems because we run afoul of Federal law? Others say, "Hey, we ought to get together and work these things out." We can't sit down directly with the heads of government agencies or it violates the well-intended Federal law. It ought to be changed.

Senator **Burdick**. I invite you all to come to the office. Will that take care of it?

Mr. **Barnhart**. If we what?

Senator **Burdick**. I will invite you all to come to my office. Will that work?

Mr. **Barnhart**. I would love to do that, and I imagine there are some highway folks here who would love that. Seriously, you ought to make us shut up; Everybody should put up or shut up. People always come up with complaints about this or that. Let's say, "Identify this or you have got no right to continue to complain."

I mean, we got up there in New Jersey, and those parks people wanted to maintain artificial wetlands for 50 years out of your Federal highway dollars. I said, "My God, God doesn't guarantee that they will survive 50 years," but it is 90 percent Federal dollars.

Thank you, sir.

Senator **Burdick**. I want to thank both of you for appearing here today. I want to thank you for your past service to the country. Glad to have you here.

Mr. **Barnhart**. You all, too. Marvelous to work with. Thank you.

Mr. **Hassell**. Thank you, Mr. Chairman.

Senator **Burdick**. The next witness will now come forward. I would like to welcome Mr. Leno Menghini, Superintendent of the Wyoming Highway Department and President of the American Association of State Highway and Transportation Officials. Welcome to the Committee.

STATEMENT OF LENO MENGHINI, PRESIDENT, AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS ACCOMPANIED BY BILLY HIGGINS, AASHTO STAFF

Mr. **Menghini**. Thank you, Mr. Chairman. I am Leno Menghini, President of the American Association of State Highway and Transportation Officials, often referred to as AASHTO. I am also the Superintendent and Chief Engineer of the Wyoming Highway Department. Here with me I would like to introduce, and I believe he is no stranger to this group, Mr. Billy Higgins, who is on the AASHTO staff.

On behalf of AASHTO, Mr. Chairman, I am pleased to respond to your invitation for the Association to provide our views on the proposed fiscal year 1989 budget for the Federal Highway Administration. We have prepared and submitted a statement to you, and with your permission, request that it be included in the record.

Mr. Chairman, we have reviewed the fiscal year 1989 budget documents released by the U.S. Department of Transportation as they relate to the Federal Highway Administration, and frankly, we are very concerned about the additional reductions proposed for the Highway Program over those made in the current year.

The Surface Transportation and Uniform Relocation Assistance Act of 1987, or STURAA, was enacted by Congress last April, and it authorized $13.898 billion for the Federal Highway Administration in fiscal year 1988 and $13.8 billion for fiscal year 1989.

These amounts are some $2 billion below that, which was authorized in the STURAA of 1982 for fiscal year 1987 and $2 billion below the level of funding that could be sustained by the Federal Highway Trust Fund if the balance of nearly $10 billion in that fund were to be drawn down.

The analysis made by AASHTO and the Federal Highway Administration of the Federal share contribution needs for our Federal-aid highway system over the next few years exceeds even the $15 billion level by several billion dollars.

Thus, the $13.8 billion highway program included in the STURAA already falls short by a significant amount from meeting the needs. But even that level of funding was cut in December 1987, less than a year after the STURAA was enacted, when Congress set an obligational limit of $11.78 billion for fiscal year 1988 and capped total obligations for the year at about $13 billion.

These actions have caused me and my counterparts in the State highway agencies across the nation to delay needed highway projects. The proposed fiscal year 1989 budget proposal, if accepted, will lower total obligations, including those programs outside the obligational authority for the year by another $695 million to about $12.3 billion.

Mr. Chairman, this additional cut below the levels of fiscal year 1988 will mean more reprogramming and more delays in completing necessary highway projects. We believe this spending level is unjustified. Given the large balance in the Highway Trust Fund, the probability that Congressionally-enacted changes in how motor fuel taxes are collected, would generate still more revenues in the coming year and that highway needs are escalating, not declining.

Mr. Chairman, these reductions in highway spending are being made in the name of deficit reduction. We, too, are concerned about the national deficit and want to see it reduced. But the Federal-aid highway program is not the cause of the deficit; rather, it is increasingly its victim. The Federal-aid highway program is established on a pay-as-you-go basis, with users contributing to the Highway Trust Fund.

Those revenues can only be used for the purposes of the Trust Fund and deficit spending in the highway program is prevented through the Byrd Amendment. Mr. Chairman, we know that you and the members of this Committee are as concerned as we are about the condition of our American highway system. You are aware of the increased traffic across the nation; the problems of urban congestion that are growing worse yearly; aging bridges that must be rehabilitated and capacity problems that need solutions.

We ask that you keep these factors in mind as you review the proposed fiscal year 1989 budget and that you work to increase, not decrease, Federal-aid highway funding. Mr. Chairman, in your letter inviting our testimony, you set forth eleven questions to be discussed. We have addressed them in our prepared statement, and we will be prepared to respond to your questions with regard to that statement either here today or in writing.

Let me close, Mr. Chairman, by relating to you the most recent action taken by the Policy Committee of AASHTO. When we met here in Washington on February 19th, we adopted four national program priority goals for 1988, three of which relate to the highway program. They are as follows:

Number one relates to funding levels and stability. The revenues flowing into the Highway Trust Fund should be fully expended for the purposes collected. Further, every effort should be made to fund the highway program up to the levels authorized by Congress and to ensure stable funding through the life of the STURAA of 1987. Finally, the practice of imposing obligational ceilings on the Highway Program should be eliminated.

Number two relates to equitable taxation of alternate fuels. Subsidization of ethanol and other alternate fuels through the Highway Trust Fund should be ended and certainly not expended.

Number three relates to the use of the motor fuel tax for deficit reduction. The Federal Highway Motor Fuel taxes are collected from highway users for the sole support of transportation programs. Revenues collected are dedicated to this purpose. Motor fuel taxation should continue to be used only to support transportation and should not be employed for the deficit reduction or general governmental purposes.

Mr. Chairman, we thank you and the Committee for this opportunity to offer our views on the highway program.

Senator BURDICK. Thank you very much. As you know, the Transportation Department has made safety an important priority, and rightly so. We hear a lot about the need for safer conditions in air travel. Do you think there is a comparable commitment in the DOT budget in making necessary highway improvements that allow for safer highway travel?

Mr. MENGHINI. Mr. Chairman, safety on the highway, I believe, is just as equally as important as safety in the air transport business. To see what is happening with the Trust Fund and the balance that is built up in the Trust Fund doesn't really address the safety needs that are inherent in our highway program, in my opinion.

Senator BURDICK. What do you think of having highway projects compete with other forms of infrastructure for Federal resources or of folding all infrastructure programs into a single infrastructure development account?

Mr. MENGHINI. Mr. Chairman, I believe that the Trust Fund, as set up, with funds dedicated for highway purposes should be retained for that purpose. I believe that the Trust Fund should be expended within the limits imposed by the Byrd Amendment.

Senator BURDICK. Thank you.

Senator Symms.

Senator SYMMS. Thank you, Mr. Chairman, and welcome to the Committee, my neighboring State of Wyoming, and I want to ask you the same question I alluded to earlier: How would Wyoming and Utah, for example, two neighboring States, how would they survive if, in fact, they got a $1 pass-through for every dollar they paid in? What would happen to your highway program in Wyoming and, to your best information, in Utah, for example? What would it do to it?

Mr. MENGHINI. Senator Symms, I believe in Wyoming, we are about in the same position as Idaho is in regards to a return on investment, somewhere between $1.70 and $1.90 is my last recollection.

If we were to revert to a straight turnback, we would be extreme losers, and, in fact, I don't believe that we could maintain the levels of service to the traveling public that we are now able to do under the current Federal-aid apportionment.

Senator SYMMS. You said the the Wyoming gas taxes is, what, 8 cents a gallon in the State.

Mr. MENGHINI. Yes, sir.

Senator SYMMS. So that is one of the lowest rates in the United States; isn't that correct?

Mr. MENGHINI. That is correct.

Senator SYMMS. I think ours in Idaho may be up to 23 cents, I believe. Is it getting close to that. No, 14 cents. Maybe add the Federal to it, and it is getting up there.

My question is, if we could save, say, 20 percent, to be conservative, on additional expenses due to Federal regulations that Congress has imposed on highway dollars, then you could take the tax directly, and you wouldn't lose entirely, would you? Wouldn't you be able to get by a little bit, or do you think the Interstate program and the Interstate 80 across Wyoming would just eventually deteriorate?

Mr. MENGHINI. Senator Symms, it is my feeling that even with the 20 percent increase over a straight pass-through of dollar-for-dollar, we would not be able to keep the Interstate system up to a level that we think it should be. I say this from the standpoint of the number of trucks. We have in excess of 50 percent of trucks that travel Interstate 80 across Wyoming.

Senator SYMMS. One thing I might suggest to you while you are in this job and which might be helpful, is maybe you could call on some of the Senators and Congressmen from Western States to explain the problem of Federal ownership; where the Federal Government owns one-half to two-thirds of these States.

We don't have the tax base. We really have to come back to Washington, D.C. and talk to the Federal landlord along the banks of the Potomac to make a decision out there on the banks of the Snake, and we really are at a disadvantaged position in the Western States. When a person gets elected Governor out there, he's only Governor over about one-third of the State; two-thirds of it is run by either the BLM or the Forest Service, and the taxes are not really compensated to make up the difference.

So I think maybe we could work together on this and try to get some help. We have got to make a decision. I agree with Mr. Barnhart; we ought to get it off budget and out from under the throes of Gramm-Rudman and let the money be spent. That would be the best choice for States like Wyoming and Idaho and Utah and North and South Dakota.

That would be our first choice, but if we don't do that, and they think there is a problem now with $12 billion in the Trust Fund, wait until it gets up to $20 billion, and it won't be very long until we are up there if we continue on this course. If you look at the Federal deficit, I think they predict it is going to be $136 billion.

People out in our part of the country are concerned about that. If you took the Trust Funds all off budget, the Federal deficit would be more like $236 billion. I think there is a $112 billion surplus in the Trust Fund if you add Social Security and airport and the highways and the others in there.

There is a huge discrepancy, and if you look at the Social Security Trust Fund and if you believe the numbers that the number crunchers have, and I am not always sure if I believe it or not, but they show there is going to be a massive build-up of surpluses in the Social Security Trust Fund. That is going to be very tempting for people in Congress in future years to try to divert that money and spend it somewhere else and not have to face the reality of having everything stand on its own.

If we were really honest about this, we ought to reduce the Social Security Payroll Tax right now and keep it in line with spending; reduce the highway taxes; reduce the airport taxes and then raise taxes on the General Fund budget. If you were an accountant, that is what your recommendation would be, to make the thing honest so people know where they are spending their money.

What they are doing is spending money that people pay in Social Security taxes for other government operations. They are doing the same thing with our highway dollars. They are spending it on something else. That is exactly what is happening.

It really bothers me greatly. I would sure like to work with you. We need to have the support of our Western colleagues on this, and we don't have it at the present time. Some of them think they can put a toll road up on one side of Wyoming and get them when they go out on the other side. What would happen in Wyoming? How much would you have to charge per car and truck that drove through the State to make up the difference?

Mr. MENGHINI. I don't really have a figure, Senator Symms, but it would be more than the transport community could sustain; I am sure of that.

Senator SYMMS. It would be very expensive, right?

Mr. MENGHINI. You bet, and it would be a detriment to interstate commerce.

Senator SYMMS. I am not sure of the pay-out there. You would have to have some kind of a modern system. It would be very difficult to do it, because just to have some guy out there in the middle of Wyoming just taking quarters, it wouldn't pay very well. He might make enough to just sustain himself, and that would be about it.

Mr. MENGHINI. That is correct, Senator. It would be pleasure to work you and other Western Congressmen and Senators on any issue.

Senator SYMMS. We have got to educate them. I don't think they see the point. I think what Mr. Barnhart is trying to do is very important.

Senator BURDICK. Senator Stafford.

Senator STAFFORD. I have no questions. Thank you, Mr. Chairman.

Senator BURDICK. Gentlemen, I want to thank you for your testimony here today. We appreciate your contribution and that of AASHTO. We will submit some questions by mail to you, and if you could get them back in reasonable time that would be good. Thank you.

Mr. MENGHINI. We will do that. Thank you, Mr. Chairman.

Senator BURDICK. Our final panel will present private industry influence on the Federal budget. I welcome and ask to step forward Mr. James W. Supica, President-Elect of the Associated General Countractors of America and Daniel J. Hanson, Sr., American Road and Transportation Builders Association.

STATEMENT OF JAMES W. SUPICA, PRESIDENT-ELECT, ASSOCIATED GENERAL CONTRACTORS OF AMERICA ACCOMPANIED BY DAVID LUKENS, DIRECTOR, AGC HIGHWAY DIVISION

Mr. SUPICA. Thank you, Mr. Chairman. My name is Jim Supica. I am a highway contractor from the State of Kansas. I am here in my position as the President-Elect of the Associated General Contractors of America.

Our national industry consists of 32,000 contractors and construction-related firms. With me today is David Lukens, the Director of AGC's Highway Division. I am pleased to appear before you to discuss the fiscal year 1989 budget for the Federal-aid highway program. The Committee's letter of invitation highlighted certain areas of interest to the Committee, and I would like to address four of those areas today.

Of foremost concern to AGC is the unfortunate downward trend in funding for the Federal-aid highway program. As you well know, in 1982, under the strong leadership of this Committee and then Secretary of Transportation Drew Lewis and through bipartisan support of the Congress, a much needed 5-cent increase in the Federal gas tax was enacted.

The increased funding was to be used to address the deterioration of States' national highways and bridges in the Federal-aid system. In the years immediately following the enactment of the gas tax increase, the highway program was beginning to turn around.

Real construction and rehabilitation needs were beginning to be addressed. Now, however, just 5 years after that landmark legislation, the recent onimous trend in reduced spending for the highway program threatens to reverse any progress we may have gained in 1983 to 1985.

Federal spending for highways in fiscal year 1988 is $1 billion less than that authorized in 1987 Surface Transportation Bill, which was passed less than one year ago. If enacted, the President's 1989 budget request would further decrease highway spending from the 1988 levels by another $500 million.

It is certainly worth pointing out that in real terms, adjusting for inflation, the Highway Program funding level is approaching about the same level that the Trust Fund could have supported back in 1982 before the gas tax was increased by five cents. Highway users, the citizens of the United States, the construction industry are asking: What happened to the nickel?

As citizens, we are all concerned about the Federal deficit and its impact on the future of America. We believe, however, that there is a large element of smoke and mirrors in the manner in which the Federal government is addressing this issue, particularly with respect to the Trust Funded transportation programs.

The President's budget document reveals that the Highway Trust Fund balance will increase $3 billion from 1987 to 1989 under the current spending levels and those proposed in the budget for fiscal year 1989. AGC has been advised by the Federal Highway Administration that the Highway Trust Fund can currently support a program of over $16.7 billion.

However, we are only spending $12.5 billion, a shortfall of over $4 billion. The nation can ill afford to bankroll Trust Fund revenues and forego much-needed capital investment when the documented needs of the Federal-aid highway system currently exceeds $20 billion annually.

Again, highway users, the citizens of America and the construction industry are asking: What happened to the nickel?

It is not surprisingly that the National Council on Public Works Improvement, in its final report, has rated the conditions of our highways and bridges as a mere "C", an average condition.

AGC strongly believes that to keep faith with the highway users who support the nation's highway program solely through user fees the Highway Trust Fund should be removed from the unified budget and exempted from the Gramm-Rudman-Hollings law. Trust fund receipts can be used for no other purpose than transportation improvements.

Moreover, the Highway Trust Fund has a deficit-proof mechanism, as you know, the Byrd Amendment, which assures solvency. The budget constraints and low obligation ceilings have permitted the balance in the Trust Fund to be used to mask a larger General Fund deficit. In reality, the balances are being loaned to other General Fund programs; all direct conflict with the spirit of the user fee concept.

AGC believes that this nation is seriously underinvesting in its highway infrastructure at a great cost to the nation in lost productivity, jobs, and international competitiveness. The nation's highway system is the artery system by which the country's economic development is nurtured and supported. If we ignore the construction and rehabilitation of our Nation's highway system, we will pay many times over in lost economic opportunities now and in the future.

Construction employment is significantly affected by changes in the Federal investment in highways. The Department of Commerce estimates that for every $1 billion of construction spending, as many as 65,000 jobs are supported in construction-related industries throughout the country. With a program level of $12.5 billion, over 800,000 jobs are currently supported by the Federal-aid highway program.

If the program were funded at the level the Trust Fund could support, 260,000 additional jobs would be supported throughout the economy.

It should be noted that although unemployment overall is currently under 6 percent, construction industry unemployment is above 12 percent at this time.

The Department of Commerce also estimates that for every $1 of construction investment, $2.23 in additional economic activity is created.

With respect to the Federal-aid highway program, this means that the current $12.5 billion program generates an additional $27.8 billion in economic output. Compared with other type of investments, construction produces one of the highest returns in additional economic activity.

It is clear that transportation is at the foundation of the nation's economy. Any corporation planning to build a new facility looks to adequate highway transportation as a major factor in their site location. Moreover, landside transportation costs are an integral aspect of our country's international competitiveness. The price of agriculture products, which are our largest export, is heavily dependent on transportation costs. Adequate and efficient rural highway transportation is essential to maintain our competitive advantage in agricultural exports.

A major recommendation contained in the final report of the National Council on Public Works Improvement is a call for national commitment shared by all levels of government and the private sector to increase capital spending for infrastructure by as much as 100 percent over current levels. Inasmuch as transportation is a major component of the nation's infrastructure, AGC believes that the Council's findings lend strong support to advocacy of increased funding for the nation's highway program. Certainly, the United States of America deserves a national highway system that rates better than "C".

In closing, AGC believes increased investment in our highway infrastructure is critical to continuing strength for this country's economy. AGC urges this Committee to set as a high priority a continued commitment to the Nation's highway program. AGC respectfully suggests that the administration's highway budget proposal lacks such a commitment and should be rejected.

Mr. Chairman, gentlemen, we certainly look forward to working you this coming year on any issues addressing the Surface Transportation System of America. Thank you very much.

Senator BURDICK. Thank you very much.

Mr. Hanson.

STATEMENT OF DANIEL J. HANSON, SR., PRESIDENT, AMERICAN ROAD & TRANSPORTATION BUILDERS ASSOCIATION

Mr. HANSON. Thank you, Mr. Chairman. For the official record, my name is Daniel J. Hanson, Sr. I am President of the American Road and Transportation Builders Association, whose offices are located here in Southwest Washington. I would like, with your permission, as suggested in the letter, to put into the record my entire statement in the interest of time. This panel is the heavy hitters, the clean-up hitters, and I would like to save your time, but there are a couple of specific comments I want to make.

First of all, Senator Symms, Senator Stafford and Senator Burdick, I listened to Senator Mitchell earlier. I could not agree with him more. We just can not afford to open up the whole can of worms at this time. You know how involved we all were last year and we do not want to go back to the 55 versus 65 issue, billboards and all of those other controversial issues.

We would just like to go ahead with what you finally passed last year. Each of us and each of you had some very difficult decisions to make in 1987. Finally, ironically, the day after April Fool's Day last year, April 2nd, you finally passed what is now called Public Law 100-17. We thank you for doing that. Without that bill we would not be here today because our industry could not have made it through last summer and certainly would not be able to make it this year.

As somebody said, and I do not know who I am quoting, but I think it is President Reagan who said, "Here we go again," and here we go again. We appreciate the fact that you are calling these hearings before the ink is dry and the dye is cast. We think that you do have an opportunity to change the fiscal year 1989 numbers.

I guess really what we are talking about today is the numbers, not the philosophy as much as the numbers, and the administrations's numbers are bad numbers.

Senator **Symms**. I am sorry to leave. I have just got to go. I have got two minutes to get to the floor.

Mr. **Hanson**. The DOT figures are bad numbers and they do great damage to the highway program. We know what the needs are. We have all gone through the needs for many years. We thought that we knew what the needs were and we thought that we had a bill for five years that was going to be reasonably adequate. We had a particular problem with the level of funding for the bridge program, but you had to work out the numbers. As Mr. Farris said earlier you cut a deal. We think in balance, you cut an awfully good deal.

First of all, the one thing that is of real concern right now is the fact that we have got to have some kind of assurance of what the Federal-aid highway program is going to be at the beginning of the fiscal year. Because of the constant turmoil and waiting until December 22d just puts the highway departments and the industry in turmoil. Making decisions about buying or not buying, leasing or renting equipment, require an early decision.

You have heard all the numbers today. I do not want to repeat those numbers except for a couple of instances. The Surface Transportation Assistance & Uniform Relocation Act of 1987 started out with $13.7 billion, and we come here today to support that number. The authorizations and the appropriations and the obligations ought to be the same number.

In fact, if we had our druthers, the obligation ceiling is really not necessary because of the Byrd Amendment. But as you know, we went from $13.7 billion down to $12.35 billion. Then we had to take another cut at Christmas time. We swallowed that very hard and went down to $11.789 billion. Now we are talking about $11.3 billion, and there still is concern that before this process is all over that there is going to be another shortfall. That would be in addition to the cuts we are already getting. It would be absolutely devastating if that happens this year.

What we are now looking at is fiscal year 1989. It is a bad situation going in, and it is going to come out even worse. The ironic thing is that I think everybody here agrees with almost everything that was said except the conclusions. That is where we have a little problem.

The new buzz word term now is "revenue neutral". One time it was revenue neutrality and before that it was "smoke and mirrors" and before that it was called "Chinese bookkeeping". However it all comes out the same. The biggest concern, for example, is the bridge program. You know, we are down to a level of $1.6 billion, and we have over 40 percent of our bridges that need repair and replacement.

We suggest that the way to do that is to take $2 billion out of the Trust Fund every year. The money is there to fix up those bridges and finally get to a point where we are currently fixing more bridges than are falling down. We are currently losing a bridge every other day.

I am not going to repeat the unemployment statistics that Jim Supica gave you. We looked at that number in a little different way. What we are doing right now is losing 63 jobs directly or indirectly per $1 million of work, and that is 25,000 jobs just in the $400 million latest cut. Let alone what we are talking about is the big numbers. However, just that $400 million cut takes another 25,000 jobs right off of the construction line this spring.

There is more than enough money, as we all know, in the Highway Trust Fund to have a $16 billion annual program. The idea of the interest earned in the Highway Trust Fund being General Fund money is totally ludicrous. It is only there because we do not get to use it fast enough. Each of us bought a tank of gasoline last May, and we bought about $20 worth of gasoline. We put in a $1.80 in the Highway Trust Fund. That money is in some bank downtown right now. That money has never come into play. It is rolling around down there earning interest. Nobody stole it, but they are using it. I think the last interest rate was 8.85 percent interest. Last year alone $1.2 billion in interest was earned.

You know, when we created this program in 1956, and I was not here, they talked about the Byrd Amendment. I am afraid that half the people in this room today are thinking we were talking about Senator Bob Byrd of West Virginia and not Harry Byrd of Virginia. When they created this program, the forefathers of the Interstate Program in 1956 never intended that we would get in the banking business, but, that is really where we are today. We are in the banking business. We do a little highway work, but mainly, we are in the banking business.

You have seen our ATAC III report. Mr. Chairman, with your permission, I would like to put a few pages of that report that relate specifically to this subject in the record with this testimony.

Senator **Burdick**. It will be received for the file.

Mr. **Hanson**. Than you, Mr. Chairman. You know, the ATAC III report is kind of like good wine. It gets better with age. It is almost two years old, and I read it again last night. There is not anything in here that is out of date. In fact, the only thing since then that has happened are the the numbers get worse. One of the things that was recommended in that ATAC III report is that we ought to take all of the Trust Funds out of the budget. I think that we all agree with that idea.

You know, we almost made it last year. There was a vote last fall in the House, and then they would have sent the bill over to you. It was an amendment offered to the Airport/Airway Program, and it only lost by five votes, 202 to 197. However, if we could have found three good soldiers, and they were even members of the Public Works Committee that were on the wrong side, we could have sent that amendment to the Senate.

I think that this Committee certainly would have supported it, and you would have had a chance to get the Airport/Airway Trust Fund off budget. That issue was a hot issue. Like Ray Barnhart said, highways do not seem to have a lot of sex appeal right now, but let me tell you, that the airport program does. It is a shame that we did not make it last year.

I suggest that unfortunately, the airway problem is not going to come up this year, but we ought to keep after that issue. The Highway Trust Fund, the Inland Waterway Trust Fund and the Airport Airway Trust Fund can take care of themselves. If the rest of the Federal programs were as half as well off as those programs, we would not have the kind of deficit budget we are talking about this year.

We have got a highway network out there that is worth about $480 billion. We are not protecting that investment. We need to do something about it. The best way to do this is to make all those funds available, including getting rid of the exemptions like gasohol. We have already done that by the passage of the tightening up the diesel fuel collections.

We are certainly not in a position to suggest, and we would oppose strongly at this point in time, turning the program back to the States. We could spend all the money in the Highway Trust Fund just on highways, Interstate completion, the 4-R program. We need to put the bridge program back where it belongs and the other categories that are also involved.

Please help this industry, the transportation community and this country to see that when this budget is passed, that the Highway Program level of funding for fiscal year 1989 is the maximum it can be. We are in a situation where this highway program is something you use and then you pay for it. We actually pay first, and then if we are lucky, sometime much later, we might get to see those user fee improvements.

That timespan is getting greater and greater. If we get up to a $12 billion balance in the Highway Trust Fund, we are going to be talking about over a year between the time we pay for gasoline and the time that money ever comes into play. It is self-supporting, as you know, and we think it should stand on its own legs, and it can. We appreciate the feelings of this Committee, and we know that you feel strongly about it just like we do. We are available to help you any way possible to see that we get the right numbers for fiscal year 1989.

Thank you, Mr. Chairman. Thank you, Mr. Former Chairman.

Senator Burdick. Thank you.

Mr. Supica, are you aware of any studies or analyses that show how transportation economic development is connected with how transportation and international competitiveness are linked?

Mr. Supica. Yes, sir. We are conducting a study, through our economists and professional staff in AGC's office, on the economic effect that an inadequately-funded, and deteriorating surface transportation system is having on the America's competitiveness abroad. The study reveals that agriculture exports are directly impacted by the poor condition of the secondary and primary rural road systems we have throughout America—it affects the price in trying to get the product to market. Statistics tell us that from 15 to 30 percent of the land side cost of getting agricultural products to the marketplace is due to the transportation on the surface.

Of course, when you have inadequate roads and bridges between the marketplace and the agriculture source, it is increasing the cost and making us less competitive. You can extend this to any type of manufacturing throughout America, of course. We certainly believe that the total overall deterioration of the full infrastructure, with the highways and bridges out in front, is certainly making America less competitive worldwide.

Senator BURDICK. Mr. Hanson, why do you believe that the Highway Program should be untouched by budget cutbacks that are required until Federal budget deficit problems are brought under control?

Mr. HANSON. Mr. Chairman, the reason is really very simple. The Highway Program does collect sizable monies, $12 billion plus each year. It depends upon what you count in and what you count out. There has never been a year, and there cannot be a year because of the Byrd Amendment, where you can get to the point where the Federal Highway Administration says, "Okay, we are going to let you have this money without the U. S. Treasury and OMB looking over their shoulder" OBM would say, "Wait a minute. If you go this far, you are going to violate the Byrd Amendment safeguard."

I disagree with some numbers we heard earlier. Frank Turner, Les Lamm and I and others play with those numbers all the time. We are convinced that number is some place between $2 and $3 billion. We could draw down on the Highway Trust Fund and have $2 to $3 billion on hand and never have a concern about violating the Byrd Amendment, since we can not violate that provision of the law. Nobody wants to change that, it is a good safeguard.

We know what is coming in; and we know that we can spend, a lot more. I am not saying you have to spend recklessly but we could spend $16.7 billion per year. In good faith, Congress passed $13.7 billion, and certainly, that ought to be the minimum level. There is no way that we cannot continue to have the Highway Program pay its own way. It has; it does; and it will in the future.

I have to make one point I missed earlier. Regarding those popular demonstration projects that this Committee loves so dearly, we all had problems. You know that we have some real problems about this issue, too. However, to come back after the deal, as they say, was cut, and say, "Well, now, we are just going to try this little new game". To say now, in our judgment, those projects come out of the obligation ceiling is ludicrous, absolutely ludicrous.

You know how hard everyone swallowed to go along with that idea. I think to hear what we heard now, and we have heard it before and we are going to hear it again is breaking faith. That does not belong within the obligation ceiling any more than the 85 percent minimum money and any more than the other special monies. They are separate; you made them separate; and they should stay separate outside of the obligation ceiling.

Senator BURDICK. Senator Stafford.

Senator STAFFORD. Thank you, Mr. Supica. Did you want to comment?

Mr. SUPICA. Yes, I do. I would simply like to take this opportunity to express my views. As I indicated earlier, AGC is made up of 32,000 construction-related general contractors; 8,000 of those are general contractors. Let me give you a little idea of the make-up of those general contractors. Ninety-five percent of those 8 000 general contractors fall under the category of small business, less than $17 million a year.

Fifty-three percent of those general contractors put in place less than $1 million of construction a year. Now, when you were referring earlier on about the reopening of the bill itself, and we came so close to losing the 1987 construction season, in my judgment, sir, and I would have the support of the Highway Division of AGC, we feel that we would have lost 25 to 30 percent of those family-owned and managed construction firms that have built this transportation system.

That is one reason why we would not like to see this area revisited again and jeopardize a continuation of the refunding of the Federal Highway Program. Thank you.

Senator STAFFORD. Thank you very much. You mentioned your unemployment rate of 12 percent in the industry. Is that affected any by seasonal factors in the northern states?

Mr. SUPICA. Well, we take the year as a whole, sir, the entire twelve months.

Senator STAFFORD. The twelve months.

Mr. SUPICA. It is adjusted for seasonal work as well as the bad weather work. But the unemployment figure in the construction industry at this time is at 12 percent.

Senator STAFFORD. All I can say, Mr. Chairman, is that both these gentlemen and others have been very persuasive this morning. I personally would hate to have to go through another fight over highway space and demonstration projects. That tore us up for more than long enough in my opinion. I hope it can be avoided.

Senator BURDICK. I hope so, too.

Well, thank you gentlemen. Yours are two organizations that we have been working with for a long time. I appreciate your input. Thank you for your testimony.

Mr. SUPICA. If I could make a 30-second comment, sir, the good Mr. Farris indicated and referred to the inefficiencies of the contractors or that contractors should try to get more efficient. Let me say this: It is a good free-market system that has served this Nation so well and our industry so well that does not take care and carry over inefficiency. We work within a less than 2 percent profit margin based on gross sales as the public contractors statistics will identify and support. With that close margin that the contractors work from, we certainly can't be inefficient.

We do try to maintain a competitive and an efficient operation throughout the system. Thank you very much.

Senator BURDICK. Thank you again.

In order to provide sufficient time, there will be additional submissions of materials from Members of the Committee to submit follow-up questions. The record will remain open for 30 days. Any other comment? If not, the Committee stands adjourned.

[Whereupon, at 1:15 p.m., the Committee was recessed, subject to the call of the chair.]

[Statements submitted for the record and responses to additional questions follow:]

Statement of
Everett M. Ehrlich
Assistant Director
for
Natural Resources and Commerce
Congressional Budget Office

before the
Committee on Environment and Public Works
United States Senate

February 29, 1988

NOTICE -

This statement is not available for public release until it is delivered at 10:00 a.m. (EST) Monday, February 29, 1988.

Mr. Chairman: I am pleased to testify this morning on the future of the federal highway program. In my testimony, I will make the following points:

- Since the 1982-1984 highway tax increases, federal spending on Highway Trust Fund programs has exceeded tax revenues from highway users (but not all trust fund revenues);
- When the totality of highway spending is measured, highway spending has exceeded the level that could have been financed solely with dedicated taxes;
- Maintaining the nation's highways merits a national investment priority when measured by its economic rate of return; and
- The appropriate future roles of federal, state, and local governments in highway programs may bear some rethinking now that the completion of the Interstate System is at hand.

SPENDING AND TAXES FOR HIGHWAYS

In 1988, outlays for the Highway Trust Fund's (HTF) highway account programs--this testimony does not deal with the transit account--

are estimated at $13.5 billion, a little more than highway account tax receipts of $13 billion. An excess of spending over tax receipts has occurred in every year since 1984 and, under Congressional Budget Office (CBO) baseline spending and revenue assumptions, it is expected to persist well into the 1990s. Between 1985 and 1993, total tax receipts of the highway account are estimated at a cumulative $117 billion, and outlays for Highway Trust Fund programs at $125 billion.

Since the inception of the program, however, spending has been less than taxes paid plus any interest accruing to the fund. Thus, the fund maintains a positive cash balance. Cash on hand in 1993 is projected to be higher than it is today, largely because of the lower federal aid highway obligation ceilings recently enacted by the Congress. CBO's estimates of the trust fund results are shown in Table 1.

In 1986 and 1987, outlays from the highway account exceeded total revenue, including interest income, so that the cash balance of the highway account dropped from $10.4 billion at the end of 1985 to $9.4 billion at the beginning of this fiscal year. In 1986 alone, the cash balance in the account dropped by around $900 million. As a result of the lower obligation ceiling set by the 1988 Department of Transportation Appropriation Act, spending from 1988 to 1990 is projected to be lower than overall revenue (though still higher than taxes alone). Consequently, the cash balance in the highway account

TABLE 1. RESULTS FOR THE HIGHWAY ACCOUNT OF THE HIGHWAY TRUST FUND (In billions of current dollars)

Year	Highway Tax Receipts	Interest Income	Total Revenue	Outlays	Balance
		Actual			
1982	6.7	1.1	7.8	8.1	9.0
1983	7.8	1.1	8.9	8.8	9.1
1984	10.5	1.0	11.5	10.4	10.2
1985	11.6	1.3	12.9	12.8	10.4
1986	12.3	1.1	13.3	14.2	9.5
1987	11.8	0.9	12.7	12.8	9.4
		Estimated			
1988	13.0	0.8	13.9	13.5	9.8
		Projected			
1989	13.2	0.9	14.1	13.5	10.4
1990	13.3	0.9	14.2	13.9	10.7
1991	13.6	0.9	14.5	14.5	10.6
1992	13.8	0.8	14.6	14.8	10.5
1993	14.0	0.8	14.8	15.3	10.0

SOURCE: Congressional Budget Office.

will rise to $10.7 billion by the end of 1990. Thereafter, however, it will begin a sustained decline, falling to a balance of $10 billion in 1993.

Consequently, the current levels of spending from the highway account, though lower now than in 1986, are such that in the long term the cash balance in the highway account would be drawn down. This lower balance occurs because trust fund revenues are projected to increase more slowly than outlays, on average, over the next five years (assuming that the obligation ceiling is maintained at the 1988 level adjusted for inflation). After 1990, the real level of current spending could be maintained only by spending from the cash balance. In other words, the real value of future tax collections is less than the real value of current spending. Therefore, the highway tax increases voted by the Congress earlier in this decade are being spent.

The fact that recent tax increases are being spent, however, does not tell us whether the fund could sustain further spending. Spending limitations (apart from direct obligation ceilings) are determined by the revised Byrd Amendment, which permits the fund's debts (as measured by unfunded authorizations) to total no more than two years' revenues. The ratio of unfunded authorizations to revenues should be near the 1.5-year level over the next several years, and should fall to about 1.1 years by 1993. Thus, the account could sustain additional spending by drawing down its cash balance faster.

DO HIGHWAY USERS FINANCE THE NATION'S HIGHWAY SPENDING?

Overall, users receive more in highway spending than they pay in dedicated taxes. In 1988, the projected $13.9 billion in revenue from dedicated federal highway taxes and interest on the fund's cash balance is greater than the projected $13.5 billion in outlays in Highway Trust Fund programs. But some $175 million will also be spent from federal funds on other highway programs, including the administration of some trust fund activities. Cumulatively, since 1957, the highway account has collected $191 billion in taxes and disbursed $195 billion for highway programs. But an additional $3.2 billion has been spent from federal funds on highway programs outside the trust fund, 70 percent of it in the 1980s.1/

The importance of this highway spending outside the trust fund can be seen in the following light. Had all federal highway

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1. This estimate excludes indirect federal subsidies through easy credit under the Right-of-Way Revolving Fund, and tax expenditures on municipal bonds issued to pay for highway projects, and on other pre-1986 special tax provisions for road transport companies. These amounts are relatively small--less than $40 million in 1986 and, following the Tax Reform Act of 1986, less than $20 million in 1988.

spending been charged to the Highway Trust Fund since 1957, the cash balance of the highway account, which remained around $9 billion to $10 billion during the 1980s, would have instead been $1.4 billion by the beginning of this fiscal year, and would have required added revenue, less spending, or both by 1990. These alternative estimates are shown in Table 2.

Moreover, these statistics deal only with federal spending. When the activities of state and local governments are taken into account, highway programs receive considerable financing from general tax sources. According to Federal Highway Administration (FHWA) data, in 1957, the first year of the Highway Trust Fund, total tax collections from highway users totaled $6.5 billion, or 73 percent of the $8.8 billion spent on highways at all levels of government; in 1987, dedicated taxes covered only 65 percent of national highway budgets. State and local governments are paying for the rest out of their general funds. Thus, if the highway account were to be accumulating cash, it would represent a subsidy from state and local taxpayers to the federal government, rather than an excess of payments by highway users. Regardless of whether or not the highway account is accruing additional cash on hand, highway users receive more in spending than they pay in dedicated taxes.

TABLE 2. ALTERNATIVE ESTIMATES OF HIGHWAY TAXES AND SPENDING

	Federal Highway Programs							
		Actual Trust Fund			Trust Fund Including All Highway Programs			
Fiscal Year	User Taxes	HTF Outlays	Interest (Actual)	Balance (Actual)	Federal Fund Outlays	All Outlays	Interest (Reestimate)	Balance a/ (Reestimate)
				Actual				
1957-1959	5.6	5.1	b/	0.5	0.6	5.7	b/	(0.1)
1960-1969	36.1	35.3	0.2	1.5	0.1	35.4	b/	0.7
1970-1979	62.2	55.6	4.5	12.6	0.3	56.9	3.7	10.6
1980	6.6	9.2	1.0	11.0	0.3	9.5	0.8	8.6
1981	6.3	9.2	1.1	9.3	0.2	9.4	0.8	6.3
1982	6.7	8.0	1.1	9.0	0.2	8.2	0.7	5.5
1983	7.8	8.8	1.1	9.1	0.3	9.1	0.6	4.8
1984	10.5	10.4	1.0	10.2	0.4	10.8	0.5	5.1
1985	11.6	12.8	1.3	10.4	0.3	13.1	0.6	4.2
1986	12.3	14.2	1.1	9.5	0.2	14.4	0.3	2.4
1987	11.8	12.8	0.9	9.4	0.2	13.0	0.2	1.4
1988 (est.)	13.0	13.5	0.8	9.8	0.2	13.6	0.1	0.9
1980-1988	86.6	98.9	9.5	9.8	2.3	101.1	4.7	0.9
1957-1988	190.6	194.9	14.1	9.8	3.2	198.1	8.4	0.9
				Projected				
1989	13.2	13.5	0.9	10.4	0.2	13.7	0.1	0.4
1990	13.3	13.9	0.9	10.7	0.2	14.1	b/	(0.3)
1991	13.6	14.5	0.9	10.6	0.2	14.7	0	(1.4)
1992	13.8	14.8	0.8	10.5	0.2	15.0	0	(2.5)
1993	14.0	15.3	0.8	10.0	0.2	15.4	0	(4.0)
1989-1993	67.9	72.0	4.3	10.0	0.8	72.8	0.1	(4.0)

SOURCE: Congressional Budget Office, based on budget data and data from the Federal Highway Administration.

a. Negative balances in the reestimated trust fund are illustrative only. In practice, trust fund accounting would require additional revenue (from taxes or transfers of federal funds) or spending cuts to avoid negative balances.

b. Less than $50 million.

HOW MUCH HIGHWAY SPENDING IS ENOUGH?

The levels of spending that the Highway Trust Fund is now maintaining, or could maintain, do not tell us whether those levels are economically warranted. Highway spending is an investment, and the economically justifiable level of highway spending depends on that investment's rate of return. Our estimates suggest that maintaining the present good-to-very-good condition of the major highway system will prove to be one of the better paying investments of the 1990s, if spending is focused on 4R (resurfacing, restoration, rehabilitation, and reconstruction) work, which offers the highest returns.

FHWA data (reported in its biennial Status Report on the Nation's Highways to the Congress in June 1987) show a broad improvement in highway pavement condition since 1983, reversing a general slump in pavement ratings from 1981. By and large, the interstate network has been restored to generally better condition than in the mid-1970s, while all other parts of the network are in at least slightly better condition than in 1975.

Such broad improvements translate directly into lower costs for highway transportation. FHWA estimates show that improved highways lead to reduced operating costs for vehicles. They experience less wear and tear, lower fuel consumption, fewer accidents, and faster journeys. These benefits may lower costs by as much as 3 percent to 5 percent on urban interstates and freeways, and just under an average of 2 percent for all traffic. Given that the nation spends about $630 billion annually owning and operating its vehicles, these savings are considerable.

It is through these economic savings, rather than the impact of highway projects on local spending or employment during construction, that highway investment provides returns. Reductions in transportation costs lead to real reductions in the costs of doing business and real increases in disposable personal income. Moreover, the lower cost of transportation to a city or a region may open up new commercial opportunities there. According to CBO's calculations (based on FHWA estimates of reductions in transportation costs), the broad improvements in highway conditions over the 1983-1985 period provided a national economic return of about 40 percent on the $23 billion investment (in 1986 dollars) spent on 4R projects during that period. This return is high by any standard and argues for a high priority for maintaining the condition of our highway system.

Economic returns are not, however, uniformly high over all segments of the system. In particular, returns for 4R spending on rural segments (apart from minor arterials and collectors) are generally lower than projected federal borrowing costs, indicating a poor investment. This result reflects the generally uncrowded state of most rural interstates and arterials; typically only 25 percent to 33 percent of the capacity of these roads is used. Benefits directed at this low level of traffic generally do not offset the amounts spent for 4R under current allocation formulas.

Projections of the rates of return on different types of highway spending vary widely. The extra spending needed to fix all deficiencies on the Federal Aid System--that is, to bring every road back to its original design standard--generally would have a negative rate of return. New construction projects will generally convey low rates of return; exceptions would be those in urban areas (where the ratio of traffic to highway capacity averages 40 percent nationally), and possibly those created to avoid bottlenecks caused by substandard bridges on the national truck network. But the need for entirely new roads is slight; the United States already has far greater road density than any other industrialized nation. These results are summarized in Table 3, and compared with projected borrowing costs for federal, state, and private investors.

Thus, investing to maintain the current condition of the main highway network promises a high rate of return during the 1990s. The case for higher levels of spending, however, depends on how these returns compare with those of other government programs and on the economic effects of additional federal borrowing to finance the investment. Hence, deciding how much to spend on highways involves broad choices between social and economic goals, as well as choices regarding how much of the nation's investment should occur

TABLE 3. ECONOMIC PRIORITIES FOR HIGHWAY INVESTMENTS

Investment Strategy	Expected Real Rate of Return on Investment (national averages)
4R Projects to Maintain Current Highway Conditions (Average Present Serviceability Rating of 3.1) [a]	30 percent to 40 percent
New Construction, Urban Areas	10 percent to 20 percent
4R Projects to Upgrade Sections Not Meeting Minimum Service or Safety Standards	3 percent to 7 percent
Projected 1993 Federal, State, and Private 10-Year Borrowing Rate	3 percent to 4 percent
New Construction, Rural Areas	low [b]
4R Projects to Fix All Deficiencies Above Minimum Service and Safety Standards	negative

SOURCE: Congressional Budget Office, based on data from the Federal Highway Administration.

a. Present Serviceability Ratings rate highway conditions on a scale from 0 (very bad) to 5 (excellent). A rating of 3.1 puts the Federal Aid System in good to very good condition.

b. Except for replacement of substandard bridges on the National Truck Network, where economic returns may be higher.

in the public sector and how diversified that public investment should be.

THE FUTURE FEDERAL ROLE IN HIGHWAYS

Given the relatively small portion of the Interstate System that remains to be built, it is reasonable to anticipate that by 1993 the Interstate System will be completed. Thus, with the national highway network almost complete, the Congress may wish to rethink the federal role in providing highways. There are many possibilities for such a new role, and this testimony points to only some of the issues to be considered in devising it.

The current federal role was designed to provide leadership in a plan for national highway development that depended on all the states acting together. Thus, a high federal profile and large federal subsidies emerged in the mid-1950s as ways of promoting the development of the national system. These subsidies were designed to counter the fact that states lacked the incentives to build roads according to their national, rather than local, benefit. But as I have discussed earlier in my testimony, in the 1990s, the high prospective rates of return for highway investment--specifically, the 4R program -- indicate that local rewards may be sufficient for maintaining the national system without such a large federal stake. In fact, state governments are now actively involved in improving their infrastructure services as part of their concern over economic development.

Moreover, the rates of return on various classes of highway projects point to the need for major maintenance and 4R projects rather than new construction. These projects require less national coordination and have traditionally been state and local responsibilities. Lastly, federal, state, and local governments all rely on virtually the same revenue sources for highways. Continuing federal intervention at best will affect the distribution--not the amount--of spending for the nation's highways.

What are the possibilities for future federal involvement? One option is to lower the cost shares offered to the states because of the greater local benefits of the most pressing highway need of the 1990s--life-cycle maintenance, or the 4R program. Either new cost shares could be devised, or the FHWA could be allowed to tailor federal assistance according to the nature of the project and the degree to which its benefits were demonstrably national rather than local. A second option would be to force highway projects to compete with other forms of infrastructure for federal resources. Commercial and recreational highway uses now compete with rail, air, and water transportation in a largely deregulated environment. Perhaps a parallel development in providing these forms of infrastructure, such as folding all infrastructure programs into a single infrastructure development account, would therefore be appropriate. Finally, federal assistance may no longer be needed, and states and localities may have both the wherewithal and the incentive to maintain and rehabilitate the nation's highways once the Interstate System is complete.

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, DC 20515

March 31, 1988

Honorable Quentin N. Burdick
Chairman
Committee on Environment
and Public Works
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Attached are responses to your questions addressed to Everett M. Ehrlich, Assistant Director, Natural Resources and Commerce Division, regarding his testimony of February 29, 1988.

Please do not hesitate to contact CBO if we can be of further assistance.

Sincerely,

James Blum

James L. Blum
Acting Director

Enclosure

RESPONSES TO QUESTIONS FOR THE CONGRESSIONAL BUDGET OFFICE

(from Senator Burdick)

1. Please comment on the Administration's "deficit neutral" concept. Does it seem proper for the Federal-aid highway program not to have the use of the interest income in the Highway Trust Fund?

Answer: If the motor fuels tax were to be considered strictly and solely a user fee, then it follows that the interest accruing to motor fuels tax collections is somehow "taken" from those who paid the tax and belongs in the Trust Fund.

There are problems, however, with that view. Most importantly, the motor fuels tax, while a dedicated tax, is only weakly related to the use of federal-aid highways. Motor fuels taxes may also achieve goals beyond financing the federal highway program, including energy conservation and raising revenue. Thus, it can be argued that interest accruing to cash in the highway trust fund is not necessarily the property of federal-aid highway users.

2. Please comment on the efficiency and equity of the obligation limitation mechanism. Is this a tool that should be re-evaluated?

Answer: The obligation ceiling placed on expenditures from the highway trust fund is efficient insofar as it allows for the right level of spending on the nation's highways. This level is a function of the economic returns to highway investments rather than the amount of revenue placed in the fund. The equity of the ceiling is more a matter of whether highway spending is viewed as an entitlement for motor fuels taxpayers or whether highway investments are an investment governed by economic calculation. The obligation ceiling remains an important tool in allowing the Congress control over the budget; it is the level of the ceiling, not its existence, that is at issue.

3. There is a large cash balance in the Highway Trust Fund and it appears that additional revenues will be available with changes in the point of collection for motor fuel taxes. Why should it be necessary to reduce spending in the highway program?

Answer: So long as the federal government owes a public debt, spending for federal purposes, whether in trust funds or in the general fund, occurs at the expense of private uses of credit. The opportunities lost by this displacement of private activity are the standard against which federal spending should be measured.

In my testimony, I mentioned the very high economic rates of return that would be achieved by investments in rehabilitation of congested urban corridors, among other investments. The significance on these high rates of return is that they justify the use of federal funds even if those funds must be borrowed and, therefore, diverted from other purposes.

The point of that comparison is that highway spending should be governed by economic criteria. Reducing highway spending is justifiable if the rate of return of that spending does not justify federal borrowing. The cash balance in the fund is not a signal that more money "should" be spent on highways. Total federal spending on highways, whether in or out of the trust fund, ultimately should be brought in line with economically justifiable levels of highway investment, rather than matching the level of spending to the amount of cash in the fund.

(from Senator Mitchell)

1. In your testimony, you mentioned the Byrd Amendment which restricts each year's spending limitation to less than or equal to receipts to the Trust Fund.

Can you explain the Byrd amendment in greater detail and offer an estimate on the amount of funds that could be obligated while adhering to the Byrd rule?

Answer: The Byrd amendment limits unfunded authorizations--that is, total unpaid authorizations less any cash on hand--to no more than two years' worth of revenues. If they exceed this amount, then allocations to the states from the fund must be reduced.

Unfunded authorizations are now equal to roughly 1.6 years revenue. The Byrd amendment would allow obligations from the highway account of $16.4 billion per year for fiscal years 1989 through 1991, compared to the CBO estimate of $13.8 billion in 1989. This assumes that increased obligations would be accompanied by increased authorizations, leaving them roughly equal.

STATEMENT OF ROBERT E. FARRIS
DEPUTY FEDERAL HIGHWAY ADMINISTRATOR

FEDERAL HIGHWAY ADMINISTRATION
U. S. DEPARTMENT OF TRANSPORTATION

HEARING BEFORE THE ENVIRONMENT AND
PUBLIC WORKS COMMITTEE
UNITED STATES SENATE

THE FISCAL YEAR 1989 BUDGET

FEBRUARY 29, 1988

Good morning. I am Robert E. Farris, Deputy Administrator, Federal Highway Administration. I am pleased to be here to discuss the Federal Highway Administration's Fiscal Year 1989 budget request and to respond to the questions raised in your letter of invitation dated February 11, 1988.

Comparison of FY 1988 Request, FY 1989 Request and Appropriated Level.

Estimates of FY 1988 and FY 1989 Budget Authority are $13.898 billion and $13.800 billion, respectively; estimated obligations, $13.340 billion and $12.450 billion; and outlays are estimated at $13.401 billion and $13.461 billion.

The FY 1988 and FY 1989 estimates were developed in a constrained budget climate, using the Federal-Aid Highway Act of 1987 as a basis. The FY 1989 budget proposes a deficit neutral position for programs funded from the Highway account of the Highway Trust Fund for the years FY 1987-FY 1991 (the life of the 1987 Act). Average revenues for the period determine the obligation level supportable under that concept. Thus, the reduction in FY 1989 obligations from FY 1988 is simply the result of the calculation which considers the average revenues and the obligations for FY 1987 and FY 1988 financed from the Highway Trust Fund outside of the Federal-aid highway account.

The relatively minor decrease in budget authority from FY 1988 to FY 1989 results primarily from the elimination of the special interest appropriations provided in our FY 1988 appropriation bill. The Motor Carrier Safety Grants authority, however, increases in FY 1989, consistent with the Commercial Motor Vehicle Safety Act of 1986.

Highway Program Trends.

The period in question, FY 1982 through 1988, was a period of dramatic change. Federal-aid highway obligations were about $8.6 billion in FY 1982, the last full year before the enactment of the "Surface Transportation Assistance Act of 1982", which significantly increased highway spending through increased user fees. Total obligations were $12.8 billion, $13.0 billion, $14.1 billion and $14.4 billion for the years 1983, 1984, 1985, and 1986, respectively. Under the 1987 Act, P.L. 100-17, spending levels were constrained. Obligations for FY 1988 are expected to be $13.0 billion. If I had to pick out one significant trend during the period, it would have to be the improvement of our nation's highways, as measured by their condition and serviceability, during the period. Every functional class of road was in better condition in 1985 than it had been in 1983, according to our highway needs report, which measures these statistics.

Personnel.

In FY 1988, 3,630 full-time equivalents were available. The 1989 budget contemplates a reduction of three full-time equivalents due to contracting out certain research projects, an increase in Motor Carrier Safety Specialists Clerical Support of 15 full-time equivalents, and a reduction of 20 full-time equivalents due to the elimination of the Appalachian Highway Program leaving 3,622 full-time equivalents available in FY 1989.

Rescissions, Deferrals or Supplementals.

No rescissions, deferrals or supplementals are planned. The Administration will propose some limited reprogramming of funds to the Coast Guard from other Department of Transportation activities.

Legislation.

There are three areas in the budget which impact statutory legislation. First, a budget general provision would make funds authorized for highway substitute projects under 23 U.S.C. 103(e)(4) available for transit projects; second, a general provision would reduce the Federal share payable to 80 percent for any highway or bridge project where it is now 100 percent; and third, the budget proposed a more flexible administrative drawdown from the Motor Carrier Grants program to support research in the motor carrier safety area. No budgetary impact is expected from these proposals.

The Highway Trust Fund.

As of December 31, 1987, the Highway Account of the Highway Trust Fund (HTF) had a cash balance of $9.283 billion. The HTF has not experienced any unexpected shortfalls. In fact, we expect some revenue enhancement as a result of improved tax collection due to recent legislation which raises the point of taxation for gasoline and diesel fuel.

Future of the Federal-Aid Highway Program.

A task force of senior FHWA staff members has been created to take a strategic look at the broad issues and trends that may impact highways in the future. A series of 19 working papers are being produced to provide input to Federal policymakers for framing a recommended Federal highway role. Such issues as tax turnback, revenue return and expanded use of toll financing are being considered in this context. We anticipate a final report summarizing the recommendations to be ready in early 1989.

Moving the Highway Trust Fund Off-Budget.

We do not support taking the Highway Trust Fund off-budget nor exempting Federal-aid highway accounts from the Gramm-Rudman-Hollings law. Whether deficit targets are met depends on total receipts and expenditures including trust funds. "Deficit neutral" spending as proposed in our budget is fair to highway users as it guarantees that all the taxes they pay will go into transportation improvements as they are collected. Fairness does not require taking the Highway Trust Fund off budget.

Failure to Make Needed Highway and Bridge Improvements.

The highway system is the backbone of the American freight transportation system, accounting for over 22 percent of ton-miles of freight hauled each year representing over 75 percent of the value of freight. Highway freight transportation accounts for almost 11 percent of all paid labor hours. The continuation of economic efficiency within the field of highway freight transportation depends on the future condition and performance of the system. If insufficient investment results in the deterioration of current levels of performance, freight vehicles will require more time to carry out their tasks, and the amount of labor hours will increase. However, the funding proposed in our budget is more than adequate to maintain and even improve the physical condition of pavements on non-local roads. Keeping up with the demand for increased highway capacity so that congestion does not increase will require the participation of all levels of government and a hard look at traditional funding mechanisms to assure that national productivity is not constrained by the highway system.

I would be pleased to respond to any questions.

DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION
WASHINGTON, D.C. 20590

OFFICE OF
THE ADMINISTRATOR

March 7, 1988
IN REPLY REFER TO:

HFS-10

The Honorable Quentin N. Burdick
Chairman, Committee on Environment
and Public Works
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for your recent letter cosigned by Senators Steve Symms, Daniel Patrick Moynihan, and Robert T. Stafford regarding the Federal Administration's budget justifications.

Since my letter of February 17, 1988, we have been advised that the previous policy concerning the distribution of Congressional budget justifications had been changed. As soon as we were notified of this change in distribution policy, we delivered our FY 1989 budget justification to your staff. We will continue this practice in the future.

We regret any inconveniences we may have caused you and/or members of your staff.

An identical letter is being sent to Senators Moynihan, Symms, and Stafford.

Sincerely yours,

Robert E. Farris
Deputy Administrator

QUENTIN N. BURDICK, NORTH DAKOTA, CHAIRMAN

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United States Senate
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20510-6175

March 3, 1988

Mr. Robert E. Farris
Deputy Administrator
Federal Highway Administration
400 7th Street, S.W.
Room 4218
Washington, D.C. 20590

Dear Mr. Farris:

We have reviewed your letter of February 17, 1988 to the Chairman and Ranking Minority Member of the Environment and Public Works Committee regarding the budget justification document for the Federal Highway Administration (FHWA).

The Committee on Environment and Public Works is required by section 301 (d) of the Congressional Budget and Impoundment Control Act of 1974, as amended, to report to the Committee on the Budget with recommendations on annual spending levels for the programs within the Committee's jurisdiction. The Environment and Public Works Committee's oversight extends to programs in five cabinet-level departments and seven independent agencies. All of these agencies have routinely supplied their budget justification documents quickly and directly to the Committee. The Federal Highway Administration has, unfortunately, not done so.

FHWA's failure in this respect is especially puzzling given the existence of contract authority which permits authorized sums to be made available for obligation without an appropriation action. Thus, this Committee is the authorizing and appropriating committee for the Federal-aid highway program. For the FHWA budget justification to go only to the Appropriations Committee, or to be made available to the Environment and Public Works Committee only through the Appropriations Committee is unacceptable.

This year, as you know, the Committee on Environment and Public Works held a full committee hearing on Monday, February 29 on FHWA's fiscal year 1989 budget. The budget justification was finally delivered to the Environment and Public Works Committee, as a result of the Secretary of Transportation's directive, on Friday, February 26. In preparing the hearing and the recommendations to the Budget Committee, the budget justification is not only helpful, as you suggest; it is essential.

Mr. Robert E. Farris
Page 2

In conclusion:

1. Every agency within the jurisdiction of the Environment and Public Works Committee--except for FHWA--provides budget justifications directly to the Committee;

2. The presence of contract authority makes the Environment and Public Works Committee both the authorizing and appropriating committee; and

3. There is no provision in the U. S. Code, or anywhere else, directing FHWA to deliver their budget justification exclusively to the Appropriations Committee.

The Secretary of Transportation has provided assurances that the difficulties experienced by the Committee on Environment and Public Works in obtaining FHWA's budget justification will not be repeated in the future. We are writing to be assured that that is also the understanding within the Federal Highway Administration.

We look forward to a written reply at your earliest convenience.

Sincerely,

Robert T. Stafford
Ranking Minority Member

Quentin N. Burdick
Chairman

Steve Symms

Steve Symms
Ranking Minority Member
Subcommittee on Water Resources, Transportation, & Infrastructure

Daniel Patrick Moynihan
Chairman
Subcommittee on Water Resources, Transportation, & Infrastructure

SENATOR BURDICK

QUESTION NO. 1

There is a large cash balance in the Highway Trust Fund and it appears that additional revenues will be available with changes in the point of collection for motor fuel taxes. Why should it be necessary to reduce spending in the highway program?

ANSWER

This budget submission is based on a deficit neutral policy whereby obligations are set equal to Highway Trust Fund tax receipts averaged over the 5-year authorization period FY 1987 to 1991, exclusive of interest. Our budget proposal also reflects the need to meet the deficit reduction target established by the revised Gramm-Rudman-Hollings Act for FY 1989. The $12.3 billion in obligations that we propose for Federal-aid highways in FY 1989 when combined with the historic non-Federal share (about 45 percent) of capital investment, is more than sufficient to maintain and even improve the condition of pavement on non-local highways. With regard to the cash balance, although there will be a cash balance of about $9.7 billion in the Highway Account of the Highway Trust Fund at the end of FY 1988, it is important to realize that commitments in excess of this cash balance will amount to about $21.6 billion. Included in our budget is a proposal which would, in fact, allow us to increase the Federal-aid highways obligation limitation if updated tax receipt estimates indicate higher revenues than are currently projected.

03/18/88

B-17

SENATOR BURDICK

QUESTION NO. 2

What are FHWA's program emphasis areas for fiscal year 1989, and what changes, if any, have been made to those objectives since passage of the 1987 highway act (P.L. 100-17)?

ANSWER

We no longer have a strictly formal process for identifying program emphasis areas. Our last year of formal program emphasis areas was fiscal year 1986. We continue to emphasize expedited implementation of the STURAA. Our emphasis areas for FY 1989 include completion of the Interstate System and increased attention to highway motor carrier safety. In addition I want to emphasize quality design and construction in the 3R and 4R areas. Of prime importance of course is the efficient and effective use of the resources made available to us.

03/18/88

HPP-24

SENATOR BURDICK

QUESTION NO. 3

Safety continues to be an important priority for DOT, and rightly so. According to FHWA, highway transportation accounts for 99 percent of all travel in urban areas. Is there a comparable commitment in the DOT budget to making highways safer?

ANSWER

Safety is a significant issue in urban and rural areas. The FHWA is committed to maintaining and increasing our emphasis on highway safety. There are currently two construction programs--the Hazard Elimination Program funded at $170 million per year and the Rail-Highway Crossing Program funded at $160 million per year--which are earmarked exclusively to highway safety improvements. The FHWA portion of the Section 402 State and Community Highway Safety Program was funded at $10 million last year. In addition, approximately $1.6 billion of regular Federal-aid highway program funds were used for highway safety improvements in Fiscal Year 1987.

The FHWA is also devoting considerable resources to address a wide array of truck and bus safety issues. Funding for the safety portion of FHWA's Motor Carrier Program has increased from $13.9 million in 1986 to $22.8 million in 1988.

In addition to these FHWA programs, the National Highway Traffic Safety Administration's portion of the Section 402 program devoted to vehicle and driver components of highway safety amounted to $121 million last year. The MCSAP program authorizes $50 million per year.

HHS-11
March 23, 1988

SENATOR BURDICK

QUESTION NO. 4

In 1986 there were 46,000 highway fatalities. How does that compare to the number of deaths in air and rail accidents? Also, what is the total number of vehicle miles travelled by highway, by air, and by rail for the most recent year?

ANSWER

The Department's "Transportation Safety Information Report" for 1986 shows 46,056 highway fatalities (including 615 fatalities involving trains at rail-highway grade crossings), 475 other railroad only fatalities, and 1,045 aircraft fatalities.

Comparable vehicle miles travelled by the three modes cannot be reported because of their dissimilar characteristics and operation. The above report estimates 1,861,000 million vehicle miles by highway in 1986, 567 million train miles by railroad, and 3,853 million aircraft miles flown by U.S. air carriers. General aviation should be added to the last figure, but is estimated on a different basis, in terms of 30.4 million aircraft hours flown in 1986.

HHS-11
March 23, 1988

SENATOR BURDICK

QUESTION NO. 5

Traffic congestion is growing as are the costs in wasted time, wasted gasoline, etc. Have we reached a point in some metropolitan areas where congestion is such a costly, overwhelming problem that the solutions will have to be something other than more highway spending? If so, what measures hold the most promise in your view?

ANSWER

Congestion is a growing concern in many major American metropolitan areas, particularly on the principal arterial system including the Interstate System. Between 1975 and 1986, travel in urban areas has grown significantly more than highway supply. Travel increased from 627,053 million vehicle miles of travel to 923,675 million, a 47 percent increase. During the same period lane miles of facilities (excluding local roads) increased from 465,212 to 598,763 an increase of 29 percent. Future forecasts of urban travel suggest that this trend will continue, and that the problem will become more severe in more metropolitan areas.

Three options exist for solving the congestion problem-increase supply (capacity), decrease travel, or a combination of these options. The cost of providing additional capacity on existing or new urban highways will be very high. Clearly some new construction will be essential but urban congestion problems can be mitigated using less costly techniques. It is expected that metropolitan areas will continue to explore these means before embarking on extensive construction programs, particularly those that would require significant taking of urban land, property relocations, and the other problems associated with construction in highly dense areas.

It has been demonstrated that a combination of demand reduction strategies, including the application of staggered work hours, coordinated ridesharing programs, parking price increases, etc., and low cost capacity enhancements, including coordinated signalization, HOV lanes, and freeway surveillance and monitoring, can effectively mitigate urban congestion, particularly that occurring during peak-periods. While effective application of these strategies in a systematic fashion can significantly reduce the need for added capacity, they in themselves cannot solve the congestion problem. Additional arterial highways will need to be constructed. Our "futures" work is currently examining options to deal with the congestion problem. Greater reliance on existing transit is also an obvious solution in congested corridors.

3/18/88
HPN-20

SENATOR BURDICK

QUESTION NO. 6

According to your testimony, "If insufficient investment results in the deterioration of current levels of performance, freight vehicles will require more time to carry out their tasks, and the amount of labor hours will increase." Do you see comparable problems for passenger vehicles?

ANSWER

All vehicles, freight or otherwise, will experience increases in delay if system performance declines. We estimate that almost 18 percent of automotive travel is business related. These vehicles will face similar labor hour increases as freight vehicles, if deterioration reduces the performance capability of the highway system.

03/18/88

HPP-24

SENATOR BURDICK

Question No. 7

According to your testimony, whether deficit targets are met depends on total receipts and expenditures and this justifies limiting spending from the Trust Fund to that amount of tax revenue coming into the Fund. Is this "deficit neutral" concept being applied to all other areas of government spending in the Administration's budget proposal? If not, why is the highway program being treated differently?

ANSWER

The deficit-neutral policy proposed for the Highway and Transit trust funded programs would not be applied government-wide. Most trust funds such as the Social Security Trust Fund and the Military Retirement Trust Fund are entitlement based and their outlays are based on the number of qualifying participants. In those cases, a deficit-neutral policy would not be relevant. In fact, outlays are less than receipts for almost all of the trust funds shown in the Special Analyses of the FY 1989 Budget. Therefore, our defict neutral policy is more generous than most trust funded programs because it provides a floor which assures that all Highway Trust Fund tax receipts are made available for highway and transit purposes.

03/18/88
HFS-10

SENATOR BURDICK

QUESTION NO. 8

In a speech before the Conference of Mayors last month, Secretary Burnley talked at length about the concept of turning over responsibility for highways to the States. In your testimony you mention "tax turnback" as an issue FHWA is studying. Would you elaborate on what precisely is meant by "turnback"?

ANSWER

There are a number of different highway program funding approaches that might be characterized as a "turnback." One commonly considered concept would require the repeal of a portion of the Federal motor fuels tax and termination of Federal involvement in highway programs that could best be handled at the State or local level. The amount of tax repealed would be dependent on the programs to be "turned back." It is assumed that many States would increase their own motor fuel tax rates in order to finance these new program responsibilities. In order to avoid a lapse in funds available to meet these needs, the States could be given some advance notice so that their State tax rate increases could take place simultaneous with the Federal tax repeal.

Another approach, known as a revenue return, would leave the Federal motor fuels tax as is, but turn over some portion of the amount collected directly to the States to make their own decisions on highway funding priorities. The Federal Government would continue as the collector of taxes, but would transfer a part of its role as highway program administrator to the States.

SENATOR BURDICK

QUESTION NO. 9

The National Council on Public Works Improvement has just released its final report assessing the State of America's infrastructure. Mr. Farris, you chaired this panel for a period of time. What is your view of the C-plus grade the report gives to highways? Also, the report highlights several highway problems: "Spending for system expansion has fallen short of need in high-growth urban and suburban areas. Many roadways and bridges are aging and require major work. Needs of most rural and smaller systems exceed available resources. Highway Trust Fund has a sizable cash balance." Please comment on these findings.

ANSWER

The C-plus grade assigned by the Council report was based on careful and thorough examination of all available assessments of highway conditions and interviews with highway experts nationwide. Obviously, it is difficult, at best, to evaluate such a complex program in such simple terms, but the grade is an overall determination, and I stand by the conclusions.

The States have taken full advantage of the 1982 increase in the Federal gas tax by turning around a then long-term trend in pavement deterioration. Every State since 1982 has shown an increase in the number of miles of pavement improvements compared with pre-1982 levels. The percent increase in capacity improvements has also risen. Unsafe bridges are being rehabilitated and replaced. These are pluses, and should be commended.

At the same time, travel demand, particularly in larger urbanized areas, is outpacing the provision of new capacity. Suburban congestion is an emerging issue that must be addressed. Bridges and highways continue to wear out and must be replaced or rehabilitated. The preservation and maintenance of the road and bridge system is a never-ending task, as should be expected when one is dealing with a system of such fundamental and underlying importance to the economic health and welfare of the country.

With regards to the sizeable cash balance in the Trust Fund, it is important to remember that although there was a balance of roughly $9.4 billion in Highway Account of the Highway Trust Fund at the beginning of FY 1988, committments against that balance totalled about #30.8 billion.

03/18/88
B-17

SENATOR BURDICK

QUESTION NO. 10

I am especially concerned about how rural America can meet its transportation needs. Please describe how States with small populations and large land areas can raise sufficient revenues for their highway needs, especially how with the elimination of the revenue sharing program. How does the Administration's budget proposal specifically address rural transportation needs?

ANSWER

The Administration's FY 1989 budget proposal continues the funding of all programs, including the Primary and Secondary programs, both of which are applicable to rural areas. Although the obligational ceiling will reduce overall program size by about $500 million, flexibility in program administration still allows States to use Federal-aid funds on a variety of rural projects or projects designed specifically to address rural issues. A very great proportion of Federal highway funding is already spent on rural projects.

03/18/88

HPP-24

SENATOR BURDICK

QUESTION NO. 11

There is growing criticism from the States and others about the negative impact of the obligation limitation. What do you think are the problems with having an obligation ceiling and what are the benefits?

ANSWER

The intent of an obligation limitation is to make the highway program responsive to budgetary goals without jeopardizing the States' flexibility to meet Federal and State priorities. A major benefit of the limitation is that it does not reduce or take away a State's apportionments or allocations permanently, it merely delays their use.

The problem with a limitation is that it does postpone some spending and, could result in a disruption to a State's planning for highway projects. Some States may have to change timing of bid letting and be more conservative in their management of the highway program. These impacts will vary by State.

03/18/88

HPP-24

SENATOR BURDICK

QUESTION NO. 12

What are FHWA's most recent projections on the impact of the provision in the STURAA of 1987 providing for the early lapse of Interstate Construction funds by States?

ANSWER

We cannot predict those States which will elect to use the early lapse provision. States are free to utilize their available funds according to their individual needs and priorities. Currently, 14 States, excluding 1/2 percent States, have FY 1989 unobligated Interstate Construction funds which could be lapsed early. However, only two States, Oregon and North Carolina, have indicated any interest in lapsing FY 1989 Interstate Construction funds early.

3/31/88
HFS-31

SENATOR BURDICK

QUESTION NO. 13

AASHTO testified about the increasing number of trucks on our highways, the heavier loads they carry, and the effect this has on accelerating pavement wear. Does the Administration have under consideration changes in the highway user tax structure--such as a weight-distance tax (WDT) or other measure--that would re-calculate cost responsibility?

ANSWER

While we recognize the strong relationship between vehicle weight and pavement wear, the Department is not considering changes to the highway user tax structure at this time. The size and scope of Federal participation in the Nation's highway programs is a key factor in determining how Federal highway user taxes should be structured. Presently, the Federal Highway Administration is involved in a comprehensive study of the role the Federal Government should play in future highway programs from the early 1990's to the year 2020. Once this is better defined, we will be in a better position to evaluate alternative tax structures.

SENATOR BURDICK

QUESTION No. 14

Please compare FHWA employment levels for fiscal year 1980 with the present fiscal year. Please give totals for permanent, full-time, professional staff for FY 1980 and FY 1988, and then break out the totals for minorities and women. What is the median age and median salary for a permanent, full-time professional employee within FHWA?

ANSWER

The following chart compares the most recent data available. As a point of clarification, it is assumed that the term "median" means average and is displayed as such below.

	1980	1987
FTP, Professional, Total	2,814	2,540
FTP, Professional Woman	252	332
FTP, Professional Minorities	341	356

Although no detailed records are available, the estimated average age of professional full-time employees at the end of FY 1987 is 43 with the average salary for a full-time professional employee being $44,321 at the end of 1987.

3/18/88
HFS-10

Senator Burdick

Question No. 15

Please list the dollar value of Federal-aid disadvantaged business enterprise (DBE) awards beginning with fiscal year 1982. What progress has been reached in expanding the program to include women business enterprises (WBEs)?

Answer

Disadvantaged Business Enterprise Awards

Fiscal Year	Dollar Value
1982	$ 415,543,120
1983	$ 719,740,598
1984	$1,269,250,000
1985	$1,278,599,000
1986	$1,222,380,000
* 1987	$1,525,722,000
* 1st Quarter 1988	$ 354,388,000

* The dollar values shown for Fiscal Year 1987 and the first quarter of Fiscal Year 1988 include $339.3 million and $76.3 million in women business enterprise awards, respectively. The reason for this is that the Surface Transportation and Uniform Relocation Assistance Act (STURAA) of 1987 requires WBEs to be recognized as DBEs. Prior to the enactment of the STURAA of 1987, WBE participation was counted separately.

All of the recipients of Federal-aid highway funds have implemented the requirements of the STURAA of 1987 whereby all eligible women-owned firms are now recognized as DBEs. Recipients include only a single DBE goal in Federal-aid contracts which can be met by either minority-owned or women-owned firms, or both.

3-17-88
HCR-1

SENATOR BURDICK,

QUESTION NO. 16

At the hearing, Mr. Barnhart testified that ". . . you could pick up 20 to 25 percent more purchasing power out of your dollar if you didn't have the Federal strings." In your view, do Federal requirements add to the cost of building highway projects, and if so, by what percentage? If you agree that there is an added cost, which Federal requirements appear to be the least cost-effective, and what remedies would you propose?

ANSWER

Mr. Barnhart's remarks were correct; Federal requirements generated by legislative acts do add additional costs to Federal-aid highway projects. While we can not substantiate his reported 20 to 25 percent figure, we do know these costs can be significant. Some Federal requirements which add cost are readily supportable for the environmental and social/economic benefits which are derived. Others are not.

Two specific categories of concern are the "Buy America" provision and the Davis-Bacon minimum wage requirement.

We would like to see the "Buy America" provision repealed entirely and would support any change which would reduce its present coverage. We find too often that protectionist measures are counterproductive and result in retaliation and higher prices. Moreover, the "Buy America" provision has had an insignificant impact on imports of foreign steel. Steel used in highway construction represents only

1 percent of all steel used in the United States. However, the "Buy America" provision can add up to 25 percent to the cost of items being purchased. Also this provision creates significant burdens for States and contractors who must determine the origin of all steel materials purchased.

Regarding the Davis-Bacon requirement, we estimate that Davis-Bacon wage rates increase Federal-aid construction costs up to 4 percent. This increase translates to approximately a half billion dollars of added costs being added each year to the highway program.

SENATOR BURDICK,

QUESTION NO. 17

During consideration of highway legislation in 1986 and 1987, one major issue concerned the many State and local governments that have enacted anti-apartheid bidding standards on highway projects. The Congressional Record for September 24, 1986 lists many of the cities, counties, and States that have taken a position against awarding contracts to firms that do business with South Africa. This subject was discussed again by Senator Mikulski at the hearing. You stated that no one had raised the issue with you before. Have you been able to review the matter further? Why does the Administration object to a local government refusing to award a contract to a low bidder that does business with South Africa if the local government is willing to make up the difference in cost?

ANSWER

I can understand the desire of local officials to condemn the practice of apartheid in South Africa. This Administration has condemned it and I find the practice to be abhorrent, as I am sure you do. However, we cannot allow local ordinances to override Federal laws and that is what local anti-apartheid procurement policies attempt to do.

Section 112 of Title 23, United States Code, requires open and competitive bidding on all contracts in which Federal-aid highway funds participate. We cannot waive this law on local option, even if the local objective in doing so is in agreement with Federal foreign policy.

We first addressed the issue of local anti-apartheid procurement policies after New York City enacted Local Law 19. It gave a 5-percent bidding preference to contractors who certified that they had not done business with agencies of the South African government within the 12 months before the date of the contract award. In line with Section 112, we informed the city that Local Law 19 could not be applied to contracts funded in whole or in part with Federal-aid highway funds. We also sought an opinion from the Attorney General of the United States to ensure we were taking the correct approach. The response, dated June 30, 1986, from Mr. Charles J. Cooper, Assistant Attorney General, Office of Legal Counsel concluded:

> . . . we believe that the Secretary of Transportation is obligated to withhold Federal funds under the Federal-aid Highway Act for the payment of contracts whose award is subject to the procurement provisions of Local Law 19.

Because of the situation in New York City and other jurisdictions, Congress took a number of steps to address the issue of local ordinances. The legislation did not modify Section 112 or overturn our decisions. Instead, the legislation was designed to give local governments time to comply with Section 112 by modifying their anti-apartheid ordinances before facing the loss of vitally needed Federal-aid funds.

The first provision was Section 210 of Public Law 99-349 (July 2, 1986), which gave New York City time to change its ordinance to comply with the conditions of Federal law. The more recent legislation was the Anti-Apartheid Act of 1986 (Public Law 99-440, October 2, 1986). It gave jurisdictions until January 1, 1987, to modify their ordinances. Senator Alfonse M. D'Amato introduced the amendment, which he described as intended to ". . . hold harmless those local governments which have passed anti-apartheid legislation. It gives them 90 days after the date of enactment . . . to change their laws." Senator Daniel Patrick Moynihan, who cosponsored the amendment, stated that Senator D'Amato ". . . has made the case explicitly." This colloquy is found in the Congressional Record for August 15, 1986, page S11818.

In summary, Congress has twice voted in support of our view that Section 112 of Title 23, United States Code, precludes the use of Federal-aid funds to advance local initiatives that limit competition. Whether the issue involves foreign policy or local concerns, and whether it involves an issue we agree with or one we do not, we cannot allow a local ordinance to interfere with the open and competitive bidding required by Section 112.

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SENATOR MITCHELL

QUESTION NO. 1

Can you tell me why the obligation ceiling is dropped from $11.78 billion to $11.39 billion within the context of the budget summit agreement which allows for a 2 percent increase in discretionary spending?

ANSWER

The FY 1989 obligation level is a deficit-neutral level arrived at by averaging total tax receipts for 1987-1991 and subtracting obligations incurred during 1987 and estimates for 1988 as well as anticipated obligations from other accounts which are financed from the Highway Trust Fund.

SENATOR MITCHELL

QUESTION No. 2

If the Administration would like a revenue neutral highway program, can you tell me why all receipts to the Highway Trust Fund are not calculated when determining what the obligation ceiling should be?

ANSWER

All tax receipts were considered when determining the Federal-aid program level under the deficit-neutral spending policy.

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SENATOR MITCHELL

QUESTION NO. 3

I am concerned about the language the FHWA has proposed which would require the obligation ceiling to be adjusted by the amount of change estimated in highway receipts.

(a) Can you explain how this would work?

(b) So, if the obligation ceiling can be adjusted upward, then the converse is true and it can also be further reduced. During consideration of tax reform, Congress changed the collection point of gasoline excise taxes. Therefore, many individuals and municipalities are now paying excise taxes and will apply for refunds. Several bills are under consideration in the Congress that would exempt farmers, municipalities, and others from paying the tax and, therefore, it's possible that Trust Fund receipts could be substantially lower than the snapshot later this year.

Have you given any thought toward protecting the obligation ceiling from this situation?

ANSWER

(a) The amount of the Federal-aid Highway obligation limitation included in the President's Budget is deficit neutral and is based on up-to-date Highway Trust Fund revenue estimates made by the Treasury Department. However, in July of each year, Treasury updates their previous revenue estimates. Our proposal would allow the Secretary to change the obligation limitation, either upward or downward, to a new deficit neutral amount based on the updated revenue estimates of the Treasury Department. Any changes would obviously have to take place prior to the beginning of the fiscal year for which the limitation was effective.

(b) Yes, it is possible that the obligation ceiling could be decreased. Regarding your concern with the effect of recent and proposed changes in the payment of taxes into the Trust Fund, the increase in receipts resulting from the change in the point of collection will outweigh the decrease attributable to the refunds. However, proposed legislation to broaden the exemptions could weaken the collection system again, thus opening the opportunities for tax evasion and a decline in tax receipts.

03/18/88
HFS-10

SENATOR BAUCUS

QUESTION NO. 1

Which States are expected to voluntarily lapse Interstate Construction funds in 1989?

ANSWER

We cannot predict those States which will elect to use the early lapse provision. States are free to utilize their available funds according to their individual needs and priorities. Currently, 14 States, excluding 1/2 percent States, have FY 1989 unobligated Interstate Construction funds which could be lapsed early. However, only two States, Oregon and North Carolina, have indicated any interest in lapsing FY 1989 Interstate Construction funds early.

QUESTION NO. 2

What is the corresponding reduction in obligation authority to States which will not lapse these funds in 1989?

ANSWER

Under the law, it is an individual State's prerogative to voluntarily lapse Interstate Construction (IC) funds. At this time only two States have indicated an interest in voluntarily lapsing Interstate funds. Consequently, we cannot predict the corresponding reduction in obligation authority to States which will not lapse these funds in 1989.

SENATOR BAUCUS

QUESTION NO. 3

How does the administration propose to spend the interest revenue generated from the Interstate (Highway) Trust Fund in 1989?

ANSWER

In calculating the FY 1989 obligation levels for highway programs funded from the Highway Account of the Highway Trust Fund, obligations were set equal to Highway Trust Fund tax receipts over the five year authorization period FY 1987 - 1991. Interest earned was not included in this calculation. It is intended that interest earned by the Highway Trust Fund would continue to accrue and be used for appropriate highway projects at some later date.

QUESTION NO. 4

What will be the amount of interest revenue generated from the Interstate (Highway) Trust Fund in 1989?

ANSWER

Using Administration economic assumptions, it is estimated that the Highway Account of the Highway Trust Fund will earn about $813.7 million in interest in 1989.

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SENATOR BAUCUS

QUESTION NO.5

How does the administration propose to spend the anticipated revenues generated from the new gas and diesel collections in 1989?

ANSWER

The deficit neutral calculation takes into consideration additional amounts estimated to be collected as a result of changes in points of collection and and other legislative changes recently enacted. Had these revenues not been available, the obligation levels would have been reduced correspondingly.

QUESTION NO. 6

What is the amount of anticipated revenues generated from the new collection method in 1989?

ANSWER

The recent changes in point of taxation for gasoline and diesel fuel are expected to increase revenue by about $450 million in 1989 ($200 million for gasoline and $250 million for diesel fuel).

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SENATOR BAUCUS

QUESTION NO. 7

Would it be possible to use revenues collected, from either the interest generated from the Interstate Trust Fund or the new collection method or both, to hold harmless states that loose obligation authority in 1988 and 1989 due to voluntary lapsing of Interstate Discretionary funds? If so, how? If not, why?

ANSWER

The Federal-Aid Highway budget is based on a "deficit neutral" policy which limits budget authority obligations to the estimated Highway Trust Fund (HTF) receipts, exclusive of interest. The interest on the HTF balance would continue to accrue to the HTF and would be used to increase the level of the highway program once the deficit situation improves. Use of the interest to hold harmless States that loose obligation authority in 1988 and 1989 due to voluntary lapsing of Interstate Discretionary funds would be contrary to the deficit neutral policy on which the budget is based. The increased revenue that is expected to result from the new collection procedure was included in the estimated revenue used to establish the allowable obligations and the obligation ceiling for Federal-aid highways. These funds could be used to hold states harmless, but under a deficit neutral policy, corresponding reductions would be necessary in the obligation ceiling or in programs not subject to the ceiling.

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SENATOR BAUCUS

QUESTION NO. 8

Can voluntary lapsing of Interstate Construction funds occur under any circumstances after October 1, 1989?

ANSWER

Not under current law. Section 114(a) of the 1987 STURAA specifically provides that only sums apportioned before October 1, 1989, would be eligible for early lapse. Thus, the last eligible funds would be the FY 1990 Interstate Construction authorization, to be apportioned on October 1, 1988. These funds would be eligible for early lapse on September 30, 1989. Interstate Construction funds apportioned on or after October 1, 1989, remain available until expended and are not subject to the early lapse provision.

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SENATOR REID

QUESTION NO. 1

Does the proposed budget now require the obligation authority for demonstration projects come 100 percent from within the State's regular obligation ceiling? In the past, 50 percent of the obligation authority for the demonstration projects was separate from the State's regular obligation authority. If this is the case, $2.2 million would be taken away from the State.

ANSWER

Yes, under the proposed budget all of the funding for the Section 149 demonstration projects would be included under the obligation ceiling. Currently, the only portion of the funding that is subject to the ceiling is the approximately $106.8 million, referred to as Section 149(d) funding, which is derived from drawdowns from the earmarked discretionary funds. Under the budget proposal, both the $165.8 million authorized by Section 149(b) and the $12.2 million authorized by Section 149(c) to provide a minimum level of funding for each State would also be subject to the ceiling. For Nevada this means that the $2,670,000 which is allocated under Sections 149(b) and (c) would no longer be exempt from the ceiling.

SENATOR REID

QUESTION NO. 2

Does this budget propose the Federal Lands Highway Funds come out of the regular obligation ceiling given to the State? In the past, FLH monies were given to the State, they also received additional obligation authority. The State of Nevada is proposing to request $2M in FLH funds. If we do receive them and are not granted additional obligation authority, this would amount to a $2M reduction in the amount of funds we are allowed to spend.

ANSWER

The budget does not propose any change in the way that the obligation ceiling is distributed for the Federal Lands programs. Currently, the amount authorized for Federal Lands is charged to the limitation, but is excluded from the State-by-State distribution. Essentially, this means that Federal lands obligations each year can equal the amount authorized for the year.

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HFS-10

SENATOR REID

QUESTION NO. 3

As the obligational authority granted to the States are reduced, the States are finding it increasing difficult to keep apportioned funds from lapsing.

What proposals, if any, does the Federal Highway Administration develop to mitigate this potential harmful situation to the States?

ANSWER

Over the years, the law providing for the obligation authority limitation has contained a provision to assure that no State is forced to lapse funds as a result of the obligation authority provision. Each year, as prescribed by law, prior to the distribution of the obligation authority to the States, FHWA makes a determination to assure that each State receives sufficient obligation authority to prevent lapse of funds. A situation where a State would have insufficient obligation authority and be in a position to lapse funds has not occurred. Currently, the law provides adequate safeguards for a State against lapsing of funds due to insufficient obligation authority, and therefore, FHWA has not developed any proposals in this area.

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SENATOR REID

QUESTION NO. 4

Since the Administration's proposal does not include use of the interest from the Highway Trust Fund, is it your proposal to utilize those funds elsewhere for items not normally covered by the Highway Trust Fund?

ANSWER

No. The interest accruing to the Highway Trust Fund (HTF) will continue to accumulate and be available to pay for the program activities that are eligible for payment from the HTF.

QUESTION NO. 5

Will the Administration support separating the Highway Trust Fund from the unified budget?

ANSWER

We do not support taking the Highway Trust Fund off budget. Keeping government receipts and expenditures in one unified budget is important in maintaining control of Federal spending. All such receipts and expenditures, including trust funds, are included in the calculation of the Federal deficit.

Senator Graham

IMPACT OF DISCRETIONARY GRANTS ON MINIMUM ALLOCATION FUNDS

It is my understanding that under present law and regulations the 17 states which are donors to the Highway Trust Fund and receive a minimum allocation to bring them up to 85 percent of what they contribute to the Trust Fund, are discouraged from applying for discretionary highway and bridge grants because if they are successful their minimum allocation funds are reduced generally dollar for dollar up to the amount of their minimum allocation. Under these conditions a minimum allocation state has nothing to gain by applying for a discretionary grant unless it applies for and receives a grant in excess of that state's minimum allocation. The effect is that discretionary highway funds are being channeled to those states which already have received more from the Highway Trust Fund than they have contributed; and donor states such as Florida, California and Texas are discouraged from even applying for discretionary funds. This issue is devisive, tends to polarize the states, and undermines the strong support which the highway program has always had at the state and national level.

SENATOR GRAHAM

PAGE 1

QUESTION NO. 1

What do you think should be done to correct this inequity in Federal law?

ANSWER

I do not view the situation you describe as an inequity. The intent of the 85 percent minimum allocation that the Congress included in the Surface Transportation and Uniform Relocation Assistance Act of 1987 was to ensure that each State receive a guaranteed minimum return of Federal-aid highway funds based on its share of contributions to the Highway Trust Fund. The 85 percent level was determined in 1982 and 1987 to be equitable. Whether the funding returned to the State is 85 percent minimum funding or discretionary funding is irrelevant; the State will have the same amount of funds available to make needed highway improvements.

I might note that the situation you describe would not have occurred under the minimum allocation provision enacted in 1982 since only apportioned funds were considered in the computation. However, that provision was modified by the 1987 Act to include allocated funds as a more "equitable" measure of the highway funds that each State receives. The practical effect of this modification has been to substantially increase funding necessary for the 85 percent minimum allocation.

I might further note that the 1987 Act included a transition provision that excluded Interstate discretionary and emergency relief allocations from the minimum allocation computation in fiscal years 1987 and 1988, and continued the exclusion for the State of California in fiscal year 1989.

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SENATOR GRAHAM

PAGE 1

QUESTION NO. 2

Can this problem be corrected through regulation? If so, how?

ANSWER

The situation you described cannot be rectified by regulation. The law (23 U.S.C. 157) is specific as to the categories of funding to be included and the methodolgy to be used in computing the 85 percent minimum allocation.

PAGE 1

QUESTION NO. 3

Disregarding the system and procedures we now have in place, what do you think would be the best way to apportion and allocate Federal-Aid Highway funds to the fair and equitable to all of the states?

ANSWER

The Administration's proposed Surface Transportation Reauthorization Act of 1986 represents our thinking on this subject. In general, we believe that the Surface Transportation and Uniform Relocation Assistance Act of 1987 is fair and equitable except for special interest demonstration projects.

Senator Graham

TURNBACK OF FEDERAL-AID HIGHWAY PROGRAMS

The National Governors Association has under consideration proposals to turn back to the states some of the Federal-Aid Highway programs. Under one of the preliminary proposals most of the Federal-Aid Highway programs and related funding would be turned back to the states:

SENATOR GRAHAM

PAGE 2

QUESTION NO. 1

What do you think about the turnback idea?

ANSWER

As the Secretary of Transportation has indicated, this idea has much merit and we are committed to opening a dialogue with State and local officials and with the Congress to address the proper role of each level of government in meeting highway needs.

PAGE 2

QUESTION NO. 2

How far do you think it should go?

ANSWER

I could not responsibly comment on this issue until we have had an opportunity to more fully analyze what we believe to be the appropriate Federal role in the future national highway program. I will state that I believe that there are certain existing Federal-aid programs that principally serve State and local interests and might be more adequately addressed by those governmental units.

QUESTION NO. 3

If there is some form of turnback of Federal-Aid Highway programs to the states, how do you think the turnback of federal funding should be handled?

ANSWER

If a turnback were to be enacted, one means of turning back Federal funding would be to repeal some part of the Federal motor fuels tax, thus allowing the States to increase their own tax rates by an equivalent amount without increasing the tax burden on their citizens. Alternatively, the Federal Government could continue to collect the full Federal motor fuels tax and turn some portion of the tax over to each State in a block grant.

QUESTION NO. 4

Assuming a turnback of all Federal-Aid Highway programs except Interstate Construction, Interstate 4R, Emergency Relief and Federal Lands, how much annual tax revenue would be needed to complete and maintain the Interstate System on a sustaining basis?

ANSWER

The cost of completing the present Interstate System has been fully provided for by the Surface Transportation and Uniform Relocation Assistance Act of 1987. Thus, future authorizing legislation should not require new funding for Interstate completion. Current I-4R funding levels of $2.325 billion a year are sufficient to maintain pavement conditions on Interstate highways.

Senator Stafford

QUESTION No. 1

The Surface Transportation and Uniform Relocation Assistance Act of 1987 directed the Department of Transportation to make arrangements with the Transportation Research Board to fund a study on the preservation of historic bridges. The FHWA asked that this study be delayed until fiscal year 1989 when funds could be made available. Does your budget include funds for this study and when do you propose to make arrangements with TRB so they can begin work?

ANSWER

The Surface Transportation and Uniform Relocation Assistance Act of 1987 directed the Department of Transportation (delegated to the Federal Highway Administrator) to make arrangements with the Transportation Research Board (TRB) to fund a study on the effects of the bridge program on the preservation and rehabilitation of historic bridges. The FHWA has requested funding for this study during the next budget cycle (fiscal year 1989). Staff members have already been in contact with the TRB and will formalize study arrangements when funds become available (October 1988).

QUESTION NO. 2

What impact will the President's budget of a $700 million reduction in the highway program have on the condition of this country's roads and bridges?

ANSWER

The proposed FY 1989 budget provides sufficient funds to meet the critical needs on systems of greatest significance to the Nation's economic and defense welfare. The proposed level of funding is sufficient to maintain current levels of pavement condition, and meet critical bridge needs. In the short-term, such a reduction should not result in a measurable loss of performance on the highway system.

SENATOR STAFFORD

QUESTION NO. 3

A provision in the STURAA of 1987 permitted States to lapse Interstate apportionments one year early and immediately apply for Interstate discretionary funds. Because over $1.1 billion was lapsed, the final result was that many States lost obligational authority and had to reduce the size of their program this year. What is the potential for a similar situation in FY 1989 and 1990?

ANSWER

Although we cannot predict how much, if any, Interstate Construction apportionments will be lapsed after one year under the provisions of Section 114(a) of the STURAA, there is the potential for lapse on both September 30, 1988, and September 30, 1989. If Interstate Construction funds are lapsed early on either of these dates, it will result in a reduction in the amount of obligation limitation available to be distributed by formula to the States in fiscal years 1989 and 1990 respectively. Currently, 14 States, excluding 1/2 percent States, have FY 1989 unobligated Interstate Construction funds which could be lapsed early. However, only two States, Oregon and North Carolina, have indicated any interest in lapsing FY 1989 Interstate Construction funds early.

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SENATOR STAFFORD

QUESTION NO. 4

The President's budget proposes to put the demonstration projects authorized in the STURAA of 1987 under the obligation ceiling, but leaves the demonstration projects done by the Appropriations Committee in their bills outside the ceiling. Please provide a list of those projects which the President's budget proposes to make subject to the obligation ceiling and those projects which would not be subject to the ceiling.

ANSWER

The President's budget proposes that all demonstration projects be under the obligation ceiling only Emergency Relief and Minimum Allocation would be exempt. The President's recent message to Congress suggests that demonstrations added in the appropriations bill be considered for rescission. Under the President's budget proposal, the following programs/projects would be subject to the Federal-aid Highway obligation limitation:

Interstate
Interstate 4R
Rail-Highway Crossings
Hazard Elimination
Primary
Secondary
Urban
HPR
Metropolitan Planning
Public Lands
Indian Reservation Roads
Parkways and Park Highways
Forest Highways
Urban High Density
Bridge Replacement
Franconia Notch
Bypass Highway Demo.
Interstate Transfer Grants
Los Angeles Freight Transportation Demo.
Buhne Point Shoreline Erosion Demo.
E. Baton Rouge Interchange Congestion Demo.
Louisville Primary Connector Acceleration Demo.
Vermont Certification Demo.
Devils Lake Erosion Demo.
Bridge Over Intercoastal Waterway Demo.
Idaho Truck Safety/Railroad Elimination Demo.
Acosta Bridge
Rail-Hwy. Crossing Study (Section 159)
Hwy. Electrification Systems Study (Section 164)
Highway Upgrading Study (Section 165)
California Feasibility Study (Section 167)
Section 149 Demonstration Projects

Bridges on Federal Dams
Acceleration of Bridges
Union Station
Woodrow Wilson Bridge
State of the Art Technology/Gap Closing Demo.
Usable Segments Demo.

Under the President's budget proposal, the following programs/projects would not be subject to the Federal-aid Highway obligation limitation:

Emergency Relief
Minimum Allocation

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SENATOR STAFFORD

QUESTION NO. 5

The President has indicated that he will send a recision to the Congress for certain authorized projects. Will there be any highway projects or programs included in the recision?

ANSWER

The President's letter to Congress on March 10, 1988 was not an actual rescission message. It did, however, ask the Congress to consider rescission or repeal of certain overbudget items in the FY 1988 Appropriations Act, including certain highway appropriations and language. These are appropriations for:

	(In Thousands)
Trust Fund	
Intermodal Urban Demo. Project	$ 9,500
Highway-Railroad Grade Crossing Safety Demo. Project	9,500
Baltimore-Washington Parkway	14,250
Corridor Safety Improvement Project	4,702
Bridge Capacity Improvement Projects	237
Highway Safety and Economic Development Demo. Projects	9,500
Highway Safety Improvement Demonstration Project	1,900
Vehicular and Pedestrian Safety Demonstration Project	6,650
Railroad-Highway Crossing Demo. Projects (2/3 Trust)	5,193
General Fund	
Railroad-Highway Crossing Demo. Projects (1/3 General)	$ 2,597
Highway Widening and Improvement Demo. Project	2,375
Expressway Gap Closing Demo. Project	7,885
Highway Bypass Demo. Project	1,900
Highway Bridge Relocation Demo. Project	2,470
Bridge Improvement Demo. Project	4,750
Access Highways to...Lakes	1,786

The message also contains language which requests the elimination of various provisions such as one which makes a project eligible for Emergency Relief, another which increases the Federal share payable on certain 18 Cities projects, and another which authorizes but does not fund a highway project in the State of Pennsylvania.

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SENATOR STAFFORD

QUESTION NO. 6

Public Law 99-570, the Commercial Motor Vehicle Safety Act of 1986 requires DOT to establish minimum uniform standards for issuing commercial driver licenses by July 15, 1988. A question has been raised whether the requirement for a commercial driver license will apply to farmers driving their farm trucks. DOT also has a waiver authority to waive application of this provision with respect to a class of persons or class of commercial motor vehicles. How will DOT apply this law and the implementing regulations to farmers who driver their farm trucks?

ANSWER

The definition of a commercial motor vehicle (CMV) in the Commercial Motor Vehicle Safety Act of 1986 is very broad and includes farm vehicles, if the vehicle has a gross vehicle weight rating of 26,001 pounds or more, or if it carries hazardous materials in quantities that require the vehicle to be placarded. The commercial driver's license rules currently apply to farm trucks that meet the CMV definition. The FHWA has received numerous requests from farmers and farm groups requesting a waiver from the licensing requirements. The FHWA intends to publish in the Federal Register a request for comments on the proposed waiver of farmers and the other groups that have petitioned for an exemption. The request for comment is required by the Act before the FHWA can act on any waiver application. Final action on any waiver will depend on a number of factors, including the number and nature of the comments received and supporting information and an assessment of whether a waiver, if granted, would not diminish safe operation of a commercial motor vehicle.

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HPS-1

SENATOR STAFFORD

QUESTION NO. 7

Changes have been made in the tax code which require that certain fuel users that are exempt from paying some or all of the highway user taxes must apply for a refund rather than not having to pay the tax at the time of purchasing fuel. Is there any net change to Highway Trust Fund receipts if the procedure is up front exemption rather than a refund?

ANSWER

If those who legitimately owe taxes pay them there should be no net loss. It is not our intention to see taxes levied against those who do not owe the taxes.

Question No. 8

The President's budget proposes that Interstate transfer grants for transit should be eligible for the Interstate transfer highway category. What effect will this have on the amount of time needed to finish funding the Interstate transfer program?

ANSWER

The proposal will mean a one-year extension in completing the substitute program. For FY 1988, $740 million is authorized for substitute highway projects and $200 million is authorized for substitute transit projects. The President's budget proposal would combine program funding for highway and transit projects at $740 million, all as contract authority. If Congress appropriated $200 million each year for Interstate Transfer Transit grants, the combined $940 million would complete the program in 1993. Smaller appropriations would extend the completion date. The proposed funding level of $740 million for both Interstate substitution highway and transit projects would complete the program in FY 1994, a one-year extension.

SENATOR STAFFORD

QUESTION NO. 9

The President's budget proposes repealing the provision which provides for the release of an additional 2 1/2 percent in obligation authority on August 1. How much would this reduce the highway program in fiscal year 1989? How much would each State be reduced assuming each State could make use of the full 2 1/2 percent?

ANSWER

FHWA cannot predict for FY 1989 how much the highway program would be reduced by repeal of the provision to release an additional 2 1/2 percent in obligation authority on August 1. Therefore, we cannot determine how much each State would be reduced. This is due to a number of variable factors such as the fact that apportionments for FY 1989 cannot yet be determined as all apportionment factors are not known, we do not know how each State will utilize their existing obligation authority in both FY 1988 and FY 1989, we do not know how the individual States will participate in the August redistribution of obligation authority in each of these years, and the fact that the Coast Guard supplemental would "cap" this provision at $34 million in FY 1988. With the lower obligation authority levels in FY 1988 and proposed for FY 1989, unobligated balances of funds utilized in making the 2 1/2 percent calculation in both FY 1988 and FY 1989 will be higher than in FY 1987.

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SENATOR STAFFORD

QUESTION NO. 10

The Secretary of Transportation has indicated he will seek supplemental appropriations for the Coast Guard. Will this result in even further reductions in funding for the highway program to offset the increase?

ANSWER

The Deficit Reduction Agreement of last year calls for offsets to be proposed when supplementals are requested. These offsets were transmitted on 3/17 to Congress. They include a number of highway items, including unobligated balances of Access...Lakes ($4.3 million), Territorial Highways ($2.6 million), Rail Line Consolidation Project ($3.6 million) and Expressway Gap Closing ($14.8 million). Also, in order to achieve outlay savings, the proposal includes a "cap" on Federal-aid Highway bonus obligations (Section 105(f) of P.L. 100-17) at $34 million.

QUESTION NO. 11

Assuming the President's budget, what will be the balance in the Highway Account of the Highway Trust Fund at the end of fiscal year 1989?

ANSWER

Under those assumptions the cash balance in the Highway Account of the Highway Trust Fund would be approximately $10.2 billion at the end of FY 1989, but commitments would exceed that balance by $21.7 billion.

SENATOR STAFFORD

QUESTION NO. 12

Does the Department of Transportation intend to propose any type of turnback of the highway program or taxes this year?

ANSWER

I am not sure when or if the Department will propose legislation. However, we intend to continue to analyze turnback options within the context of considering the future "post-Interstate" highway programs.

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SENATOR STAFFORD

QUESTION NO. 13

The President's budget proposes that all Federal-aid highway projects and categories now funded at 100 percent Federal funds should be changed to an 80/20 match. Please list all the projects and categories this would affect.

ANSWER

Territorial Highways
Alaska Highway
Los Angeles Freight Transshipment Demo. (California)
State of Art Construction Demo. (Pennsylvania)
Highway Safety & Econ. Dev. Demo. (Mississippi)
Airport Access Demo. Project (California)
Highway Safety Improvement Demo. (Michigan)
Hwy. Rail. Grade Crossing Saf. Demo. (New York)
Nuclear Waste Transp. Saf. Demo. (New Mexico)
Theo. Roosevelt Bridge Improvement (Virginia/DC)
Airport Access Highway Demo. (Louisiana)
Vehicular & Pedestrian Safety Demo. (Massachusetts)
Corridor Safety Demo. (New Jersey)
Bridge Capacity Improvement Demo. (New Hampshire)
Expressway Gap Closing Demo. Proj. (California)
Waste Isolation Pilot Project Roads (New Mexico)
Highway Widening Demo. (Mississippi)
Auto-Pedestrian Safety Separation Demo. (North Dakota)
Rail-Line Consolidation Demo. (Texas)
Airport Highway Demo. Project (Oklahoma)
Highway Safety Separation Demo. (Michigan)

This provision, if enacted, would apply to any funds for the above programs becoming available on or after October 1, 1988, as well as any unobligated balances remaining available for obligation on October 1, 1988.

It is not the intent of this provision to reduce the Federal share of those projects which are solely the responsibility of the Federal government. This would include Forest Highways, Public Lands Highways, Parkways and Park Highways, Indian Reservation Roads, Union Station and the Woodrow Wilson Bridge.

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SENATOR STAFFORD

QUESTION NO. 14

The Senate Commerce, Science, and Transportation Committee has reported S. 1518, the Methanol and Alternative Fuels Promotion Act of 1987. To what extent will the incentives in this bill increase the use of alternatives fuels, and what impact will this have on Highway Trust Fund (HTF) revenues if the current tax exemptions remain in place?

ANSWER

S. 1518 would encourage the production of passenger cars powered by ethanol, methanol or natural gas by creating an incentive under the corporate average fuel economy (CAFE) requirements of the Motor Vehicle Information and Cost Savings Act. The Administration policy is to rely on the operation of the market in letting consumers choose the fuels that most efficiently and effectively meet their needs, rather than to rely on government subsidies and regulation to influence or limit these choices. Although the Administration accordingly prefers the repeal of the CAFE requirements, we have indicated our support for CAFE provisions in a House bill similar to S. 1518 and are in the process of preparing specific views on S. 1518 for transmission to the Congress.

It is difficult to forecast either the manufacturers' production of vehicles powered by alternative fuels or the public's willingness to purchase them. The effect of these vehicles on Highway Trust Fund revenues would be determined by the numbers that are actually operated on the alternative fuels. If the relatively low price of petroleum fuel continues, it is likely that there will be little increase in alternative fuel use and a correspondingly small effect on the Trust Fund.

SENATOR WARNER

QUESTION NO. 1

What is the current cash balance in the trust fund? For the highway account specifically?

ANSWER

As of January 31, 1988, the date of the latest Treasury Report, the total balance in the Highway Trust Fund was $13,821,376,121.31. Of this amount, $9,242,179,315.29 was the Highway Account Balance.

SENATOR WARNER

QUESTION NO. 2

What is the current total unobligated balance in the highway trust fund?

ANSWER

While the cash balance in the Highway Account of the Highway Trust Fund as of January 31, 1988, totaled $9.2 billion, committments against this balance totaled approximately $40 billion.

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SENATOR WARNER

QUESTION NO. 3

Why is it so high?

ANSWER

It would probably be better to view the size of the Highway Account balance as "sufficient or insufficient" rather than "high or low". The current balance is simply the net of more than 30 years of receipts and interest minus outlays. The current balance is certainly sufficient to meet anticipated cash demands and to allow the apportionment of funds as required by the Byrd Amendment. It is noted, however, that even though some may consider a $9+ billion level to be "high," most people forget that unpaid commitments against this balance as of 1/31/88 total approximately $40 billion. Given this situation, maybe the balance isn't "so high."

QUESTION NO. 4

What is Virginia's share of that?

ANSWER

Virginia's "share" of the $40 billion in commitments against the Highway Account of the Highway Trust Fund as of January 31, 1988, is approximately $934 million. This figure represents all Federal-aid Highway funds that have been made available to Virginia that have not yet been liquidated (paid out) from the cash balance in the Highway Trust Fund.

SENATOR WARNER

QUESTION NO. 5

What can we do to make those dollars available for critical transportation projects?

ANSWER

It is our intention to use all Trust Fund dollars to pay for eligible transportation projects. It is true that budgetary considerations have resulted in limitations on obligations for the highway program. Those same considerations also have caused us to propose a revenue neutral budget that will use all Trust Fund income over the period 1987-1991 except interest.

QUESTION NO. 6

What role does the recent action of several states in lapsing interstate funds play in FHWA's calculation of the overall obligation ceiling?

ANSWER

The early lapse of Interstate funds increases the amount of Interstate Discretionary Funds available for allocation in the next fiscal year. As required by law, FHWA must allocate obligation authority with each dollar of apportioned or allocated funds subject to the obligation authority limitation made available at the pro-rata share based on needs versus availability. The early lapse of Interstate funds increases the needs while the availability, i.e., the overall obligation authority remains unchanged. This has the effect of reducing the pro-rata percentage of obligation authority available for each dollar of apportioned or allocated funds.

SENATOR WARNER

QUESTION NO. 1 PAGE 2

What would the Federal Highway Administration project the balance in the trust fund to be by the end of the current authorization under your "revenue neutral" spending approach? The unobligated balance?

ANSWER

By the end of FY 1991, when the authorities for P.L. 100-17 expire, the balance in the Highway Account of the Highway Trust Fund is estimated to be about $12.354 billion. The unobligated balance of Federal-aid Highway authority and other highway account authority is projected to be $13.449 billion under the assumptions in this budget at the end of FY 1991.

QUESTION NO. 1 - PAGE 3

Is it true that the Federal Highway Administration and the Department of Transportation are considering taking funds from the obligation ceiling to be reprogrammed for the Coast Guard?

ANSWER

It is true that the Administration is making a proposal which includes "capping bonus" funds available above the Federal-aid Highway FY 1988 obligation limitation as a means of reducing outlays. This reduction would then be available to offset an increase in outlays associated with the U.S. Coast Guard supplemental. As you know, under the Budget Summit Agreement, supplemental requests must be accompanied by corresponding offsets. However, no Highway funds will actually be used by the Coast Guard.

SENATOR WARNER

QUESTION NO. 2 - PAGE 3

How much in outlays would be reprogrammed from the trust fund to the Coast Guard?

ANSWER

The "cap" of the bonus obligations would save an estimated $20 million in highway outlays which would allow an increase in Coast Guard outlays. Under the Budget Summit Agreement, supplemental requests must be accompanied by corresponding offsets. No funds would actually be transferred from the Trust Fund to the Coast Guard.

QUESTION NO. 3 - PAGE 3

How much in obligation authority would be necessary in order to reprogram that outlay amount?

ANSWER

The data included with the Coast Guard supplemental appropriation request indicates that Federal-aid highways obligations would have to be reduced by $116 million to provide $20 million in outlays savings under CBO standard outlay calculations.

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SENATOR WARNER

QUESTION NO. 1 - PAGE 4

Last week, during House Appropriations Committee hearings, Secretary Burnley was asked about a planned development in Prince William County, just off Interstate 66, near the Manassas Battlefield. Secretary Burnley was asked by a House Member who opposes that development whether the Federal Highway Administration has any role to play in the access ramp planned from I-66 to serve this development, and, if so, what that role is. I would put that same question to you, and ask that you respond to my office.

ANSWER

In January 1981, the Federal Highway Administration (FHWA) approved a final environmental impact statement (EIS) for the Route 234 bypass project which included an interchange with I-66. The new access point was approved by FHWA on October 16, 1974. However, these approvals did not provide for connection with U.S. 29 and, thus, would not facilitate direct access to the mall site or battlefield park.

If the State of Virginia pursues the Route 234 project, the FHWA will be involved in approving new or revised access points to the Interstate System. Also, when the Virginia Department of Transportation submits the final design for the bypass interchange with I-66, we will re-evaluate the final EIS to ensure earlier environmental clearances are still valid.

At this time, the FHWA does not have any action pending on the Route 234 bypass or its interchange with I-66.

3/18/88

HNG-14

TESTIMONY BEFORE THE SENATE COMMITTEE
ENVIRONMENT AND PUBLIC WORKS

By,

John S. Hassell, Jr.

February 29, 1988

Mr. Chairman, Members of the Committee, I appreciate the opportunity to appear before you today to discuss the Fiscal Year 1989 budget for the Federal Highway Administration.

It was almost exactly eight years ago that I last appeared before this Committee. At that time, I appeared as President Carter's nominee to fill the position of Administrator of the Federal Highway Administration. Those of you who were present will recall that the hearing went on for almost four hours.

Although my nomination was the subject of the hearing, virtually the entire time was used to discuss the obligation limitation mechanism and the difficulties inherent in an apportionment process which tells the states they can not fully utilize the funds they have been allocated. We discussed the resulting inequities and the frustrations felt by the states as they sought to execute the national policy to complete the Interstate Highway System.

Because of my involvement then, as well as my continuing work with states as they seek to manage a federal program inadequate in resources and plagued with continual changes in funding levels, I would like to spend my few minutes with you discussing the impact these limitations have had on the states' programs.

You have heard from the American Association of State Highway and Transportation Officials about the frustrations they have accumulated over the last eight years in trying to deal with the obligation limitation process. In spite of the enhanced revenues flowing in to the Trust Fund, the states have been unable to manage their programs in a satisfactory manner.

Table 1 vividly illustrates the impact of the obligation limitation on the states. Several now have unobligated balances which are far in excess of what they had eight years ago and now clearly exceed the obligation limitation proposed by the Administration's budget.

In some states, projects for Interstate completion cannot move because the obligation ceiling prevents them from letting contracts to complete the last gaps in the system. In other states, apportionments of Federal aid primary, bridge, secondary and urban funds are going unspent because the states are being forced to utilize their limited obligation ceiling to move projects that will complete the Interstate System. And, in most states, high-priority projects to promote economic development and remedy traffic safety problems are languishing because the states do not have available obligation authority to utilize already apportioned funds.

In June of last year, the most recent edition of the Status of the Nation's Highways: Conditions and Performance was published. This report, built upon the most extensive body of data ever available to the Federal Highway Administration and the Congress, provides some very interesting information.

During the period 1981 to 1985, highway travel increased 7.6 percent. The report found that between 1980 and 1983, user costs increased an estimated 1.3 percent, but in the period from 1983 to 1985, user cost had actually decreased from the high reached in 1983. The report credits these improvements to the increased funds available because of the 1982 Surface Transportation Assistance Act. Table 2, a reproduction of Table II-2 from the report, shows that between 1980 and 1986, the Federal Aid Highway portion of expenditures on highways fell from 29.5 percent to 26.4 percent despite the increase in the Federal Trust Fund taxes. While increased Federal funds undoubtedly reflect favorably in the improvements, the fact that the Federal Aid participation rate fell from 29.5 percent to 26.4 percent forces me to conclude that the enhanced effort of state and local governments played a significant role in these improving conditions.

The report goes on to forecast that between 1985 and the year 2000, $314 billion to $498 billion will be necessary to maintain the current physical condition and operating conditions on the Nation's highway system (page 79, Table IV-17 The Status of the Nation's Highways: Conditions and Performance, June 1987). The report concludes that even with an investment of $4.2 billion to $4.9 billion, the Interstate System service levels can be expected to decline because of increasing demand and the infeasibility of adding capacity to many of the existing sections. The report finds that the Primary System will require investments of $5.2 billion to $5.9 billion annually to maintain 1983 physical conditions. And on the Urban System, which comprises only 3.7 percent of the total national miles but carries some 21.6 percent of all travel nationally, investments of $4.2 billion to $4.7 billion per year will be necessary to maintain conditions. To maintain the physical condition of the Secondary System requires investments of $1.3 billion to $1.9 billion per year in 1983 dollars. All of these estimates suggest a spending level of at least $14.9 billion to $17.4 billion a year.

The bridge problem continues to be of significant concern. I note an article, Mr. Chairman, in the New York Times of Sunday, February 21, 1988, describing significant bridge problems in the New York City Metropolitan Area (see Figure 1). The story, which recounts the sad state of affairs concerning access to this major city, could be replicated in almost any city or state in this country. Of the Nation's 575,607 inventoried bridges, 220,308 are eligible for replacement or rehabilitation under the Federal program (page 87, The Status of the Nation's Highways: Conditions and Performance, June 1987). And, an additional 11,960 bridges were added to the "structurally deficient" category in 1986 alone. Obviously, the program to assist the states in improving bridge standards has not yet begun to make progress against the estimated $51.4 billion cost of bringing these deficient bridges up to current standards.

That problems of this magnitude can continue to exist despite this Committee's attempt to provide significant increases in Federal funding in the 1982 Surface Transportation Assistance Act and the 1987 Act can partially be laid to the obligation limitation control. The states' unobligated balances have grown. The states are not unmindful of these problems, but the restraints placed upon the Federal Aid Highway Program by the budget process have rendered their efforts inadequate.

In the 1977 Act, Congress put in place a program to ensure completion of the Interstate System, which is now within sight. But while this effort was underway over the last ten years, other needs have arisen. While the attention of the program was focused upon Interstae completion, other concerns have grown. Problems of accessibility in our urban areas continue. The difficulties in serving the newly-developed suburban areas around our urban centers has become a major national problem. And continuing growth in many states has far outstripped their ability to meet the demands on the highway system. Nevertheless, I feel that as severe as many of these problems have become, we have yet to appreciate the magnitude of the problem.

One only has to realize that the 12 million additional drivers that will be on our roads in the year 2000 will enter grammar school next year, and that by the year 2010, over 25 million additional drivers will be using our highways (Draft FHWA Working Paper No. 1, Changing Demographics in Economic Base, December 1987) to appreciate the challenge ahead of us. If the economy of the United States is to continue to grow to support our citizens, if we are to continue to have the economic strength to support our defense establishment, if we are to improve the safety of our highways, federal, state and local governments will have to do a better job of addressing highway transportation than we have over the last eight years.

What should be done now, with this year's budget before us? What steps need to be taken to move toward an adequate highway transportation system for the year 2000, to meet the need for a strong economy?

I feel there are several things that can be done in this budget to begin to deal with highway transportation in a responsible manner. These include:

1. Provide sufficient obligation authority to the states to move all projects ready to go to contract and for which they have apportioned funds. Based upon the most recent estimates that I have been able to obtain, approximately $17 billion in obligation limitation should be made available in FY 89 (see Table 3). This estimate is based upon direct discussions with top transportation officials in a few representative states to obtain a realistic projection of what can be done. The FY 89 obligation limitation projections for those states are based upon projects ready to go. It includes work left undone this year and work that will be ready for contract next year. With the latitude that the Federal Highway Administration has to redistribute obligation authority among the states in August, this amount can be fine-tuned sufficiently for budgetary purposes.

2. Provide assured obligation authority to the states prior to October 1. Constant changes in the availability of obligation ceiling limitations to the states have made it impossible for them to manage their preconstruction process. The effects of this on state programs cannot be underestimated. With lead times of four to six years to develop major projects, constant changes in funding levels make it impractical to develop pre-construction schedules that allow significant projects to move forward to deal with the Nation's highway transportation problems. Major projects require time to

develop solutions that can make a difference. Environmental factors and citizen concerns must be considered. For the preconstruction and planning to be meaningful, state and local authorities must be assured that program funding will be available when this process has been completed. If state and local governments are to invest their time, funds and efforts in these projects, the federal program must be more predictable than in recent years.

3. Recognize that the states' personnel capabilities will be undergoing significant changes during the next several years. It is imperative that the states be given an early indication of what the federal role will be in highway transportation for the 1990's so that personnel actions can be undertaken to enable the states to fulfill their role. Some states face retirement rates from transportation and highway departments as high as 40 percent during the next several years. It is vitally important to states that the level of federal resources that will be made available to the states be predictable as well as adequate. Such assurances enable the states to make better informed decisions about the necessary and appropriate levels of their own resources, one of the most notable components of which is personnel. In fact, recent uncertainty over the level of federal commitment has contributed to the effort by many states to reclaim

control over certain sources of revenue as a way to ensure greater certainty about, and control over their own transportation resources.

4. Recognize that because of the diverse nature of the highway construction business, research activities must go on at the national level. Last year's funding for the Strategic Highway Research Program was a step in the right direction, but this capability will need to be enhanced and additional resources provided to improve the technologies available for highway transportation, facility construction, and maintenance.

While these actions will appear self-evident to many, I think that it is important for us to realize that until the transportation trust funds are moved off-budget, none of these actions will be feasible. It is unrealistic to expect the states to plan a program in highway transportation--or aviation, public transportation or railroads, for that matter--with program levels subject to multiple revisions during any budget year. As states plan and develop transportation projects, they must be able to rely on the federal government to make its commitments as early in the planning process as possible and to stick to those commitments.

As long as the Federal government's budget is balanced on the back of the trust funds, the Nation can have little hope that its road and highway system can safely and efficiently carry out its role in support of a healthy economy. While I fully understand the concern of those who do not wish to see other programs reduced in a time of budget austerity, I think we deceive ourselves if we feel that we can borrow from transportation but somehow not pay a price.

Because transportation programs are funded primarily through trust funds, there is no other place that we can go to find the resources to repair, rehabilitate, and enhance our transportation systems. We can hope that trust funds used to balance other accounts will still be available in future years for transportation purposes. But in the meantime, the Nation will have paid a price measured in reduced efficiency and increasingly unsafe conditions. These borrowings are not without costs; the difficulty will be in assigning the costs.

Last year, several revisions were made to the Gramm-Rudman-Hollings law concerning the inclusion of certain revenues and in determining the exact level of the budget defecit, etc. for the sake of honesty. I would suggest that moving the trust funds out of the budget-balancing equation is a step in the direction of honesty both for transportation and for the Nation's economic well-being.

Table 1. End of Fiscal Year Unobligated Balances
of Federal-Aid Highway Funds (FHWA, Table 10, as of Sep. 30)
(Millions of Dollars)

State	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
Alabama	38.1	40.2	36.2	39.5	2.9	75.0	104.1	107.7
Alaska	80.9	58.9	57.4	49.7	33.3	42.7	42.1	42.9
Arizona	89.9	64.3	67.8	54.7	34.0	69.4	99.0	111.6
Arkansas	39.4	37.9	44.2	38.4	33.7	49.4	58.8	57.6
California	518.7	582.8	597.7	565.4	453.3	704.9	689.8	767.8
Colorado	48.9	43.2	53.7	39.6	17.1	68.1	92.0	91.9
Connecticut	188.3	138.4	98.9	66.2	16.7	113.1	100.6	95.2
Delaware	74.3	46.1	45.4	42.5	37.3	45.9	50.7	47.6
Florida	29.8	102.6	110.1	100.0	42.8	200.7	274.1	246.4
Georgia	19.5	111.0	150.8	129.3	68.6	155.3	192.1	190.8
Hawaii	87.6	86.9	84.4	79.9	157.3	201.6	196.2	125.6
Idaho	37.4	36.3	41.6	35.4	15.8	31.5	39.4	40.4
Illinois	107.9	86.5	98.7	51.1	12.7	98.4	128.9	92.2
Indiana	94.9	92.5	79.0	70.5	79.6	106.7	102.0	143.3
Iowa	54.5	82.8	70.0	63.8	32.5	58.3	74.3	63.3
Kansas	64.5	77.8	79.0	84.2	75.2	88.6	108.0	104.1
Kentucky	44.5	57.4	52.1	55.3	34.5	82.6	83.4	75.0
Louisiana	201.2	174.8	170.1	163.2	117.4	217.8	268.8	280.7
Maine	38.1	37.0	29.1	25.8	17.3	26.2	30.4	27.4
Maryland	48.2	60.8	56.9	53.6	99.3	190.3	166.6	157.3
Massachusetts	213.7	199.6	220.3	218.8	241.8	345.0	348.8	525.6
Michigan	111.3	93.8	108.4	79.6	39.9	81.7	103.6	112.2
Minnesota	94.2	93.7	90.0	96.2	63.9	102.3	127.1	113.8
Mississippi	73.4	76.4	64.9	58.7	56.4	70.9	81.5	75.3
Missouri	60.7	74.5	79.0	76.0	58.0	73.2	101.8	93.6

State	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
Montana	54.0	43.9	53.7	44.5	40.1	50.9	61.4	59.6
Nebraska	27.4	26.5	23.4	19.1	13.0	29.0	40.9	41.3
Nevada	13.4	23.6	35.5	29.2	19.1	29.0	33.5	31.5
New Hampshire	61.1	71.2	74.6	50.8	37.4	46.0	54.2	51.3
New Jersey	276.6	237.4	185.3	116.2	80.3	175.3	33.5	219.9
New Mexico	77.7	75.3	62.3	45.4	11.7	25.2	54.2	35.0
New York	272.8	218.2	231.6	207.8	93.2	81.1	218.0	191.8
North Carolina	46.6	69.3	87.7	73.6	69.4	105.9	30.6	166.8
New Dakota	14.2	14.7	13.1	2.8	1.0	13.6	179.9	19.9
Ohio	291.5	217.6	211.2	256.5	154.8	241.5	124.4	326.6
Oklahoma	19.9	33.2	39.9	49.5	55.1	100.6	21.7	158.4
Oregon	93.3	89.4	77.2	69.5	57.2	81.1	305.5	67.9
Pennsylvania	430.9	344.8	343.7	319.2	171.0	365.7	140.3	341.7
Rhode Island	111.8	97.0	128.2	46.9	35.6	64.3	94.4	50.1
South Carolina	101.2	122.3	121.0	111.4	69.0	118.1	348.3	160.7
South Dakota	34.7	35.5	34.6	31.1	23.7	35.8	51.3	43.8
Tennessee	65.5	83.4	101.9	83.3	73.0	110.1	144.0	116.5
Texas	144.3	186.2	232.3	287.3	414.3	493.9	350.0	554.5
Utah	15.4	29.2	44.3	38.5	8.5	50.5	63.2	61.6
Vermont	44.8	42.0	41.7	40.1	35.6	47.3	47.6	46.7
Virginia	105.2	115.5	109.9	78.8	22.5	94.7	135.4	118.6
Washington	93.5	90.7	107.1	87.2	37.6	125.8	174.0	166.9
West Virginia	69.0	52.5	52.1	72.1	58.9	93.8	106.8	91.0
Wisconsin	70.5	52.9	56.5	49.7	46.9	103.6	97.0	111.8
Wyoming	27.7	25.1	23.3	10.3	13.9	24.0	31.9	29.2
Dist. of Col.	75.1	101.2	38.1	53.0	59.7	101.9	92.4	117.6
Puerto Rico	66.2	60.4	59.5	58.2	56.4	61.0	68.5	71.3
Total*	5,167.0	5,107.5	5,178.5	4,671.7	3,623.6	6,173.6	6,832.8	7,249.5

*Totals do not add due to rounding

TABLE 2. TABLE II-2, STATUS OF THE NATION'S HIGHWAYS: CONDITIONS AND PERFORMANCE, JUNE 1987

TABLE II-2
TOTAL DISBURSEMENTS FOR HIGHWAYS BY ALL LEVELS OF GOVERNMENT 1/ 2/
(In millions of dollars)

Year	Federal		State		Local		Total	
	Amount	Percent 3/ Change	Amount	Percent 3/ Change	Amount	Percent 3/ Change	Amount	Percent 3/ Change
1960	2,753	-14.95	5,438	6.56	1,969	1.76	10,160	-1.13
1961	2,941	6.83	5,818	6.99	2,068	5.03	10,827	6.56
1962	3,173	7.89	6,314	8.53	2,136	3.29	11,623	7.35
1963	3,759	18.47	6,395	1.28	2,166	1.40	12,320	6.00
1964	4,278	13.81	6,548	2.39	2,159	-0.32	12,985	5.40
1965	4,137	-3.30	7,065	7.90	2,254	4.40	13,456	3.63
1966	4,610	11.43	7,643	8.18	2,530	12.24	14,783	9.86
1967	4,390	-4.77	8,507	11.30	2,807	10.95	15,704	6.23
1968	4,822	9.84	9,069	6.61	3,021	7.62	16,912	7.69
1969	4,557	-5.50	9,842	8.52	3,205	6.09	17,604	4.09
1970	5,200	14.11	10,970	11.46	3,413	6.49	19,583	11.24
1971	5,658	8.81	11,760	7.20	3,781	10.78	21,199	8.25
1972	5,428	-4.07	12,548	6.70	3,953	4.55	21,929	3.44
1973	5,440	0.22	13,281	5.84	4,067	2.88	22,788	3.92
1974	6,155	13.14	13,696	3.12	4,821	18.54	24,672	8.27
1975	7,224	17.37	14,263	4.14	5,720	18.65	27,207	10.27
1976	7,853	8.71	13,964	-2.10	5,921	3.51	27,738	1.95
1977	7,621	-2.95	14,365	2.87	6,198	4.68	28,184	1.61
1978	8,397	10.18	16,248	13.11	7,196	16.10	31,841	12.98
1979	10,200	21.47	17,870	9.98	7,623	5.93	35,693	12.10
1980	11,826	15.94	19,020	6.44	9,238	21.19	40,084	12.30
1981	11,097	-6.16	19,371	1.85	9,956	7.77	40,424	0.85
1982	10,504	-5.34	20,167	4.11	10,610	6.57	41,281	2.12
1983	10,955	4.29	22,023	9.20	11,014	3.81	43,992	6.57
1984	12,958	18.28	23,384	6.18	11,971	8.69	48,313	9.82
1985	15,169	17.06	26,415	12.96	13,141	9.77	54,725	13.27
1986 4/	16,348	7.77	30,318	14.78	15,330	16.66	61,996	13.29

1/ Highway Statistics, HF-11, HF-12.

2/ Excludes debt retirement, but includes interest on debt.

3/ From previous year.

4/ Preliminary.

Federal and Highway Disbursements as a percent of total =

$$1980: \quad \frac{11,826}{40,084} = 0.295$$

$$1986: \quad \frac{16,348}{61,996} = 0.264$$

Table 3
Estimate of State's Obligation Limitation Needs[1]

February 25, 1988
(Millions of Dollars)

State	FY88 Obligation Limitation	Additional FY88 Obligation Needs	Estimate of FY89 Needs
Colorado	155.1	25.0	300+
Florida	343.1	160.0	650
Georgia	246.4	100.0	500
Iowa	138.5	56.0	300
Maine	48.2	14.2	75
Maryland	226.2	95.0	350
Michigan	242.5	125.0	450
Nevada	59.9	350.0	140
Pennsylvania	462.2	150.0	900
Virginia	207.2	180.0	500
Total	2,093.3	940.2	4,165
National Total	9,409.2		
Estimate of National FY89 Needs [2]			18,721

NOTES:

1. Results of phone survey conducted February 24-25, 1988.

2. FY89 National Estimate = $\frac{\text{FY88 National OL}}{\text{FY88 Sample States OL}}$ x FY89 States Estimate OL

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March 22, 1988

Honorable Quentin N. Burdick
Chairman
United States Senate
Committee on Environment and
Public Works
Washington, D.C. 20510

Dear Mr. Chairman,

I appreciated the opportunity to testify on February 29th before your Committee on the fiscal year 1989 budget of the Federal Highway Administration.

Your letter of March 11, 1988 requested a written response to the question: "How much obligation authority do you think would be realistic given the constraints of G-R-H, the budget summit agreement and the Bryd rule and how have you come to this estimate?" I will provide the best estimate that I can in reply to this very difficult question.

I believe that the Federal-aid Highway program should first be driven by its commitments to the highway users. User-generated taxes have been committed to the purposes set forth in the various highway authorization bills. The program level is constrained by the Bryd rule so that the trust fund will have sufficient funds to meet the authorizations. It is my understanding (based on Mr. Farris' testimony) that the Bryd rule would allow about $16.4 to $16.5 billion to be obligated in FY89.

Realistically, Congress must also consider the available apportionments and capabilities of the states to obligate funds. According to the FHWA reports I have seen, the states had some $19.8 billion in unobligated apportionments or allocations on October 1, 1987. With the FY87 obligation limitation allowing expenditures of $11.78 billion, and with the new FY89 apportionments added, I think it is reasonable to assume that around $20 billion in available apportionment will set the upper bound for FY89. Based upon phone surveys of 10 of the 52 state highway agencies (taken on February 24-25, 1988, see Table 3 from my testimony attached), the states could be expected to have some $18+ billion in federal-aid highway projects, with available apportionments, ready to go for FY89.

As to the question of G-R-H and the budget summit agreement, I would suggest that the federal-aid highway programs, funded by the trust fund, are not part of the deficit problem. Unfortunately, the trust funds have become part of the solution through use of the balances to hide the true level of the deficit. No matter how much those of us concerned with America's infrastructure may regret the caps placed on the transportation trust funds, we all must recognize that certain overriding statutes and agreements govern the availability of these funds.

G-R-H and the budget summit agreements are facts of life. Each was struck to provide standards and goals to reduce the massive federal deficit and to provide a guide to its eventual elimination. My major concern with the way each has been applied, however, is that the trust funds -- transportation, social security, etc. -- are being used to paper over the true magnitude of the deficit. It is my strong belief that we will pay a high price for this exercise in political expediency.

Necessary highway projects will cost more when they are eventually built. In the years before construction, economic development will be curtailed and highway safety improvements will be lost. By the turn of the century, the draw-down on the social security trust fund will begin to increase dramatically, thus placing greater pressure on the rest of the budget, including the military. To make matters worse, our transportation infrastructure -- which has already suffered -- will continue to suffer, with delays in essential projects now causing major economic disruption. As U.S. industry attempts to improve productivity, a deteriorating road and highway system will become a major impediment to progress.

I suggested an obligation limitation level of some $17 billion in my testimony. Based on all the information I have been able to gather, an obligation level as high as the Bryd rule will permit, up to some $17-18 billion, would allow the states to move projects waiting for construction during FY89. Any level lower than that permitted by the Bryd rule will leave the nation's highway program "making do" for yet another year. The answer to the budget deficit questions will have to be answered finally by Congress and the Administration.

I hope my remarks will be helpful in your deliberations. If I can be of any assistance, please let me know.

Sincerely,

John S Hassell Jr.

John S. Hassell, Jr.

Table 3
Estimate of State's Obligation Limitation Needs[1]

February 25, 1988
(Millions of Dollars)

State	FY88 Obligation Limitation	Additional FY88 Obligation Needs	Estimate of FY89 Needs
Colorado	155.1	25.0	300+
Florida	343.1	160.0	650
Georgia	246.4	100.0	500
Iowa	138.5	56.0	300
Maine	48.2	14.2	75
Maryland	226.2	95.0	350
Michigan	242.5	125.0	450
Nevada	59.9	350.0	140
Pennsylvania	462.2	150.0	900
Virginia	207.2	180.0	500
Total	2,093.3	940.2	4,165
National Total	9,409.2		
Estimate of National FY89 Needs [2]			18,721

NOTES:

1. Results of phone survey conducted February 24-25, 1988.

2. FY89 National Estimate = $\frac{\text{FY88 National OL} \times \text{FY89 States Estimate OL}}{\text{FY88 Sample States OL}}$

TESTIMONY OF RAY A. BARNHART FORMER ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION

Mr. Chairman, Distinguished Members of this Committee, and Staff.

Today this country faces a transportation crisis of great proportions. I see no initiatives now underway which can be expected to forestall it. The actions of Federal Government, business, and the general public indicate that the problem is either not understood, or not acknowledged. But the problem is very real, and for the sake of the nation must immediately be addressed.

It is because of my concern that I'm grateful for the opportunity to appear before you once again to discuss transportation in general, and specifically the Federal-Aid Highway Program. For 7 years I enjoyed working with you, despite the fact that you too often rejected my "wise" counsel. You were always patient, most courteous, attentive and gave me fair hearings. Thank you for that. And now that I am without title or portfolio, having left my position but not my interest or my respect for the wonderful people of that Agency, I hope as a citizen my recommendations for actions will be more persuasive.

Yours is a most difficult task: making choices. With limited tax funds available, and increasing voter and institutional demands always before you, in addition to providing for our national defense, what else should be set as priorities for Federal Government: education; assistance to the needy; farm subsidies; housing; economic development; international trade; budget balancing and deficit reduction?

I submit that foremost among Federal Government's responsibilities is transportation, for all of those areas just enumerated are dependent upon it. Transportation is the essential element without which private enterprise cannot successfully function.

Today I will confine my remarks to the Federal-Aid Highway Program, acknowledging that Federal Government also has a legitimate and necessary role in airline, maritime, and railroad transportation, as well as in transit and pipeline. The development of a sound national transportation policy covering all modes is critically important to our future and should be the subject of future hearings.

Facts support my contention that an efficiently functioning highway system is essential to this country. Last year more than 1.9 trillion miles were driven on that system, accommodating 89.4 percent of all personal travel (that's voters) and carrying 84 percent of the dollar value of everything grown and everything manufactured in the nation. Travel increased nationwide at the rate of 4.6 percent above the level of the previous year, and in urban areas it increased 7 percent. The alarming statistic is that the Federal Highway Administration predicts that at about the turn of the century, only a dozen years hence, we will see a 50 percent increase in that travel.

Transportation accounts for roughly 18–20 percent of our gross national product. Accordingly, transportation costs directly impact the price of every commodity. What will be the costs of those commodities with the 50% travel increase and the consequent additional traffic congestion? Millions of commuters today spend hours daily in bumper-to-bumper traffic getting to and from their jobs. How will they cope with that traffic congestion if additional highway capacity is not available? Statistical analysis indicates that travel delay, measured as hours of additional travel time, has increased 25 percent on urban freeways between 1983 and 1985, and that delay will increase annually by 8 percent through the year 2005 if mitigative steps are not taken.

I sit in wonderment listening to public figures who call for increased productivity and efficiency in order for the U.S. to compete in the international marketplace, then refuse to spend the funds necessary and already available to improve the highway system upon which that productivity and efficiency depend.

Periodically, reports are submitted to the Congress by the Administration and transportation experts which detail conditions of the nation's highway system and estimate the total dollars needed to maintain the system and provide for future needs. Based upon current law which controls the Federal program, most authorities consider approximately $19 billion per year to be the minimum acceptable level of Federal funding.

The question then which must be answered becomes very clear: Is the proposed Federal Highway budget for FY 1989 (a) prudent and (b) adequate to serve the nation's needs? I believe it is neither.

The report of the National Council on Public Works Improvement, released just last week, also leads to that same conclusion. Pure and simple, the Federal Highway Program is grossly underfunded.

Some of my friends get extremely upset with me when I call for increased federal funding. They assert that my 7 years here in Washington as Administrator of

FHWA have caused me to lose my political moorings and betray my conservative philosophy. They are wrong. Responsible conservatives, as well as liberals, must look critically at conditions as they truly exist, not as we wish they might be, else the resultant public policy which we establish will bear no relevancy to the problems at hand.

This budget proposes that the State Highway Departments be permitted to obligate 12.331 billion Federal dollars, but with annual needs of approximately $19 billion, the mathematics is indisputable: a shortfall of some $6.6 billion dollars.

What then must we do—especially in light of the deficit situation? There are solutions, but none of them simple, none without cost, and all of them politically difficult.

I do not advocate increasing highway taxes per se, although there are major inequities in the application of those taxes to classes of taxpayers which must be corrected. But to increase the Federal fuel tax is unacceptable and would be counterproductive.

I'm appalled at Wall Street titans, economic advisors, and academic theoreticians who advocate increasing fuel taxes and oil import fees to solve our economic problems. Not only would such seriously undermine the integrity of the user-supported Highway Trust Fund, but they would be among the most regressive taxes which could be imposed. Those people, like Professor Lester Thurow who suggests a dollar per-gallon increase, may be experts on economic theories, investment portfolios, and the electronic transfers of monies, but I'll lay you odds they've never had to move farm crops to markets, housing components to job sites, or computers across country.

A study by the Wharton School of Finance concluded that only a 30¢ gas tax increase would put 225,000 people out of work in a year, and more than a half-million by 1990; income tax revenues would decline by nearly 2.7 billion dollars annually, housing construction would drop 2.4%, savings would decline by 8%, and the CPI would rise nearly 1%. A gas tax increase is not the answer.

Our official government actions have proven that statement! Just five years ago we took that action, increasing the tax 5 cents and assuring motorists that the additional money would be used to rebuild this critically-needed infrastructure. But since 1982 concern for the nation-wide system has disappeared, only specific projects have captured our attention, and the additional money from the nickle has not been wholely distributed to the States. Again this year the budget proposes to retain part of the additional nickle revenue in the Trust Fund, giving to the States only half of what was promised.

I believe it is ethically unacceptable to build a huge balance of dedicated taxes in a Trust Fund, knowing that those taxes will not be spent for the promised purpose, in order to spend more monies on other government programs without showing the expenditures on the bottom line of the Unified Budget. If Trust Fund money is not to be spent, the Trust Fund itself should be abolished or the program will lose its credibility.

Gimmickry with the Highway Trust Fund, and the Airport Trust Fund for that matter, is NOT an innovation of this Administration; it has been used or tacitly accepted by every Congress and every President since the days of President Johnson when budget strategy incorporated Trust Funds into the single, Unified Budget.

It is precisely because of the Unified Budget system of accounting that the Highway Trust Fund balance will be permitted to grow to almost 15 billion dollars by the end of this fiscal year, and to more than 20 billion dollars in another five. The future of this country is not well served by expedient bookkeeping which ignores vital transportation needs and denies economic reality.

What constructively do I propose to begin to solve the problem, to make up the $6.6 billion annual shortfall?

Three things: (1) the Trust Fund should be removed from the Unified Budget; (2) tax exemptions and preferences which are given to selective interests, thus significantly reducing taxes flowing into the Fund, must be abolished; and (3) laws which literally require unproductive expenditures and prevent federal and state officials from efficiently managing the highway program, must be modified.

HIGHWAY TRUST FUND

Removing the Highway Trust Fund from the Unified Budget in itself accomplishes nothing. It must also NOT be subject to obligation limitations or the constraints of Gramm/Rudman/Hollings. Without these latter two, full use of a free standing Trust Fund is not possible. The '89 highway authorization was set only two years ago at $13.8 billion, but to accommodate budget problems the obligations ceiling is now proposed to be $11.389 billion, with total obligations of 12.331. (A billion less than this year). This year the States will be permitted to spend only 83 cents of each dollar they were given. The same curtailment would occur if removal of the Trust Fund is not all inclusive.

To make the Trust Fund free-standing immediately is not possible, but it can be done in phases. Legislation should be enacted which directs the Highway Budget to be set annually, starting from a base of revenue-neutrality, and adding to that amount the accumulated interest plus $2 billion from the Trust Fund balance. That procedure would be followed until the balance is reduced to a sum of $3 billion, at which time the Fund would be removed from the Unified Budget. It would still be subject to the Byrd Anti-Deficiency provision.

I would offer a further compromise in order to assist in getting the deficit under control. If the Congress would agree to seriously work to revise some of the costly requirements they have imposed on the highway program, I would waive the interest payments on the Trust Fund which now average more than $1.2 billion annually. Frankly, I believe more than that amount in purchasing power would be realized from common sense changes in law.

ELIMINATE PREFERENTIAL TAX TREATMENT

Hundreds of millions of tax dollars are lost annually because of favored treatment given to specific products and taxpayers. The principle underlying highway finance is that the program is self-supporting, that those who use the system pay for it. Equitably, one would assume. Not so, although most taxpayers don't know it.

Any way it's cut, the nation's motorists paid three-quarters of a billion dollars last year to subsidize the gasohol industry. The 6¢ per gallon Federal gasohol exemption meant a loss to the Highway Trust fund of $445 million, and State exemptions reduced State fuel tax receipts by another $335 million. Gasohol-powered vehicles driving the highways "consume" those roads just as do other vehicles, but they pay only ⅓ as much in taxes to finance the system.

It amazes me that by federal law we dilute gasoline only 10% with a grain-based alcohol and reduce the tax by 66⅔ percent. I do not oppose the use of alternate fuels, but I strongly object to unequal taxation.

There are other tax preferences which, if eliminated, would aid in building the highway system we need: other fuels are subsidized; logging trucks pay only half the user fees; some trailers get special breaks; some of the very large trucks pay disproportionately less than other trucks and passenger vehicles; and exemptions for farm vehicles are overly generous.

REVISIONS TO LAW

Let me applaud the Congress for enacting the changes in the fuel tax collection laws which were requested by the FHMA. When fully implemented I'm convinced the changes will bring into the Trust Fund more than a billion dollars of additional revenue which previously has been collected from fuel buyers but was never remitted to Treasury.

In anticipation of higher collections, let me urge you to adopt an especially desirable provision of the Administration proposal. When I agreed to a revenue-neutral budget, I insisted that if receipts exceed the amount used in the "neutrality" calculation, the additional amount would be made available for distribution to the States. This provision should be a part of any bill.

We are not getting full value for the dollars spent on the highway program. Contrary to common perceptions, this is not because of an uncaring bureaucracy, but in major measure because of laws which, though well intended, do not in today's world well serve the public. It was not by FHWA choice to spend $3 million to count fish one winter, nor $600,000 for a sound wall alongside a cemetery when a less expensive alternative was available, or $1.4 million on a bicycle path, or see a project increase in cost from $263 million to more than $800 million. It was a combination of laws, plus the fact that the Highway Trust Fund paid 90/95% of those costs, requiring States to pay no more than 10%, and removing accountability from the program.

It literally takes years for States to wade through procedures required by Federal law, the purchasing power of the dollars spent is significantly reduced, the costs of projects are doubled! Please don't take my word for this. Instead, hold public hearings and lets try to resolve some of these volatile issues and wasteful practice.

Unstable funding, usurpation of the powers of state governments to direct their own highway programs, and excessive Federal requirements have combined to cause disillusionment with the Federal program. With increasing frequency we hear many people calling for the abolishment of Federal involvement in highway activities. I support Federalism initiatives and believe they should be expanded, and have worked seven years toward that end. But I know that there is an essential responsibility for national transportation policy which can be met only by Federal government, including planning, standards and financing.

We can no more require each individual State to finance its own highway network and expect to sustain a dynamic national economy, than we could hope to defend our nation by relying on State-financed National Guards. It simply won't work.

Redefining Federal and State responsibilities for transportation is important, and will of course redistribute the financial burden. The redistribution, however, will not reduce the nation's total transportation needs. Privatization initiatives will help solve problems in specific local areas, and should be encouraged, but will offer little toward solving our transportation dilemma.

In summary, our highway needs are well documented and that they are essential to the country is not questioned. That there is a shortfall of funding for those needs also is not seriously debated, though who shall supply the funds and what level of government will spend them can legitimately be argued.

Revising laws to permit more prudent management of spending will better serve society than increasing taxes. Levying taxes more fairly on all classes of highway users will increase revenue collections significantly. Systematically drawing down the Trust Fund balance will permit improvements to the highway system with only minimum impact on the deficit.

Gentlemen, I feel very strongly about the Trust Fund issue, it being key to achieving the kind of transportation excellence so necessary to our country and its private enterprise economy. Because of the priviledge which has been mine in recent years, I've met many fine people who share this same concern. Accordingly, we have set a challenge for ourselves which many in Washington say is impossible to accomplish: to remove the Highway and Airport Trust Funds from the Unified Budget. But we're determined to try . . . and to be successful!

We have established a truly non-profit, non-partisan, educational organization called the Coalition for Transportation Trust Funds. Not in competition with other highway associations or advocacy groups, we hope to work with them and, hopefully you, to rally public and political support to convince Government that transportation should be and in fact is, one of its most important responsibilities.

Thank you for the opportunity of testifying before you today. I look forward to a continuing—and supportive—relationship with you.

RAY BARNHART

2602 Deliana Lane
Austin, Texas 78746
512/327-4211

March 15, 1988

The Honorable Quentin Burdick
Chairman, Committee on Environment
& Public Works
U. S. Senate
Washington, D.C. 20510-6175

Dear Senator Burdick:

Thank you for permitting me to testify before your Committee regarding the Federal Highway Administration and the Administration's proposed 1989 budget. Although my comments may not have been pleasant for some individuals to hear, and may not have been welcomed in view of Federal budgetary problems, they none-the-less are factually indisputable. The lack of attention given transportation inadequacies seriously compromises the economy of the nation. The support you and your Committee give to this major issues has won my earnest respect and gratitude.

Senator Mitchell has asked that I respond to questions regarding the appropriate level of obligation authority for the highway program for FY 1989. Although I cannot supply precise figures right now because some of my papers are still in my Washington apartment instead of here in Austin, I offer the following comments:

Last year all non-defense budgets were reduced roughly 4 1/2% to accommodate deficit reduction, but that was AFTER those accounts had been increased 2%; all, that is, except the Federal Highway Administration which received NO increase. Again this year the Current Services Budget provided for all those agencies to benefit from another 2% increase EXCEPT for the Federal Highway budget which received NO increase. At a minimum, that discrimination should be corrected and the obligation authority increased.

Projections show that the highway program could be carried at a level of approximately $16 billion per year for the next five years without violating the Byrd Amendment. Obviously, in light of G-R-H that level is impossible to achieve politically, but it should be significantly increased above the proposed level.

In 1982 the Congress, in response to the urgent request of the Administration, increased the federal fuel tax $.05 per gallon on gasoline and instituted an additional $.06 higher differential on diesel fuel, for the promised purpose of rebuilding this vital transportation network. Regrettably, some people in responsible positions seem not always to act responsibly in honoring commitments once made, for the highway program has not benefited to the full extent of the promises; the obligation levels of the Federal-Aid program have constantly fluctuated since the dedicated fuel tax was increased.

Total Obligation Authority, (including Minimum Allocations, Emergency Relief, and Demonstration Projects):

FY 83 -	$ 12.826 billion
FY 84 -	13.037 billion
FY 85 -	14.082 billion
FY 86 -	14.227 billion
FY 87 -	12.815 billion
FY 88 -	13.340 billion
Proposed FY 89 -	12.450 billion

Considering the lack of stability of funding levels from year to year, it is no wonder that the States are becoming impatient with the Federal-Aid program; they simply do not know what dollars they can definitely expect. Compounding that problem is the fact that some of the obligation authority they are given must be used on Congressionally-mandated projects rather than on projects which fit into their state-wide highway plans. The bottom line is less usable funding.

In view of the documented and uncontested highway needs, the reduction of roughly $1.8 billion in obligation authority from FY 86 to FY 89 in my estimation cannot be rationalized, even when considering G-R-H, a position validated by the National Council on Public Works Improvement report which calls for a 100% increase in spending on infrastructure.

Accordingly, I suggest that the '89 Highway obligation level be set at approximately $14 billion. This level will be minimally acceptable until such time as we can take the Trust Fund off budget, yet it will not undermine budget-balancing actions.

1. Approximately $500 million should be restored to compensate for the previously mentioned 2% increases which were denied to the highway program for each of two years.

2. The additional funds necessary to reach the $14 figure should be available as a result of changing the method of collecting fuel tax revenues. I am convinced that treasury has grossly underestimated the revenue coming into the Trust Fund.

Frankly, I would recommend a review of tax collection mechanisms and also the methods used to project revenue receipts. I cannot rationalize, for example, the anomaly of increased miles of travel on the highway system, increased fuel sales, and greatly-increased sales of trucks during

86/87 with the $600 million reduction in estimated receipts. Perhaps there is a valid explanation, but I haven't found it logical.

Similarly, most state authorities with whom I have spoken have estimated that, prior to implementing the new tax collection process, the Trust Fund was losing 20-30 percent of the federal diesel fuel taxes it should have been collecting. That would mean the Trust Fund should gain $700 million to more than a billion dollars each year, in addition to the billion dollars which should be realized from stopping the gasoline tax evasion.

Realistically, then, at the very least a $14 billion obligation ceiling can be achieved without smoke and mirrors!

Thank you for asking my views on this important topic.

Very truly yours,

Ray Barnhart

Ray A. Barnhart
512-327-7319

RAB:gg

AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS

LENO MENGHINI, President
Superintendent and Chief Engineer
Wyoming Highway Department

FRANCIS B. FRANCOIS
Executive Director

STATEMENT BEFORE THE

SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

Relating To

PROPOSED FY 1989 BUDGET FOR THE FEDERAL HIGHWAY ADMINISTRATION

by

LENO MENGHINI

PRESIDENT, AMERICAN ASSOCIATION OF STATE
HIGHWAY AND TRANSPORTATION OFFICIALS

and

SUPERINTENDENT AND CHIEF ENGINEER,
WYOMING HIGHWAY DEPARTMENT

February 29, 1988

Founded in 1914, AASHTO represents the departments concerned with highways and transportation in the States, the District of Columbia and Puerto Rico, to foster the development, operation and maintenance of an integrated national transportation system. The active members of AASHTO are the duly constituted heads and other chief directing officials of the member highway and transportation agencies.

Mr. Chairman, I am Leno Menghini, President of the American Association of State Highway and Transportation Officials, often referred to as AASHTO. I am also the Superintendent and Chief Engineer of the Wyoming Highway Department.

On behalf of AASHTO, Mr. Chairman, I am pleased to respond to your letter inviting the Association to present its views on the proposed fiscal year 1989 budget for the Federal Highway Administration. We have had an opportunity to make some review of the budget documents released by the U.S. Department of Transportation, and have comments to offer in a number of areas.

Mr. Chairman, your letter inviting us to appear and testify identified eleven questions of particular interest to the Committee. Those questions provide a convenient way to organize this testimony, and thus I will address each in turn.

1. Please contrast the FY89 request with the FY88 request and the appropriated level. What effect will proposed increases or reductions have on agency programs?

Mr. Chairman, a short response to this question is that the proposed budget for FY 1989 sent to Congress by the Administration will substantially reduce funding for the Federal-aid highway program below the FY 1988 level, which was itself reduced from the funding level authorized in the Surface Transportation and Uniform Relocation Assistance Act of 1987 (the STURAA) enacted by the Congress just last April. If approved, this proposed additional cut in Federal-aid highway funding will further reduce the capability of our State highway agencies to adequately care for the nation's highway system, at a time when overall requirements on that system are increasing.

From our review of the Department of Transportation's budget materials, we believe that the following TABLE 1 summarizes what has been proposed for highways:

TABLE 1: Summary of Budget Proposal For Highways

	FY 1988	(billions)	FY 1989
Highway Program Budget Authority	$13.704		$13.702
Highway Program Obligation Limitation	$11.780		$11.398
Highway Program Estimated Total Obligations	$13.026		$12.331

The net result of this proposal is a cut of some $695 million for FY 1989 in total obligations for the Federal-aid Highway program, below the level for FY 1988.

The budget proposal indicates that it will be deficit neutral with regard to the Highway Trust Fund. An examination of what is proposed, however, reveals that interest on the Highway Trust Fund is not counted as income to the Fund. In fact the spending levels proposed for FY 1989 are clearly below the income to the Highway Trust Fund, probably by about $1 billion, if this traditional source of revenue is counted. Beyond this, the proposed highway program budget does nothing to reduce the balance in the Trust Fund, which is comprised of funds that were collected from highway users with the pledge that they would be used only for transportation purposes and which under present law are not to be used otherwise.

The effect the proposed FY 1989 budget will have on the nation's highways is that the highway programs of State and local government will once more be curtailed below what is required and which has been programmed, for the second year in a row. The meaning of these budget cuts is made clear from the attached release dated February 12, 1988 from the Oregon Department of Transportation, explaining that the current year's cut in the Federal-aid Highway program below what was expected came to some $40 million for that State. If this budget cut for the Federal-aid Highway program is accepted, Oregon and the other States will be faced with still further re-programming, an activity that has become all too common in recent years.

We recognize, Mr. Chairman, that the nation faces a large deficit in the Federal budget. But it needs to be recognized that none of that deficit is caused by the Federal-aid Highway program, which highway users have adequately funded to the extent that the program could be increased to an annual level of about $15 billion without triggering the Byrd Amendment provisions that prevent the Highway Trust Fund from ever going in the red. Further, it also needs to be understood that there is an inevitable cost to our nation for not adequately investing in our highway infrastructure, and that the demands being placed on the highway system are increasing even as Federal funds are being cut. The resulting shortfall in transportation investments we believe results in increased operating costs for business and industry, loss of productivity and an inability to provide for the economic development of our nation.

To illustrate this last point, Mr. Chairman, we have attached to this statement FIGURES 1 through 3, taken from the Federal Highway Administration's 1987 booklet "Our Nation's Highways", and FIGURE 4, taken from that Administration's "Highway Statistics 1986" publication.

FIGURE 1 displays the number of registered vehicles in the United States, which continues to increase at a sharp rate. FIGURE 2 shows the growth in licensed drivers in the nation, a growth that has now reached the point where we have 0.90 driver per registered motor vehicle. It is the continually increasing numbers of vehicles and drivers that cause the total miles of travel to increase in America, a record of increase that is dramatically shown on FIGURE 3; note especially the sharp increase in vehicle miles that has occurred during the past few years.

The increasing number of vehicles and the increases in miles travelled create the growing traffic congestion found in many parts of our nation, which cannot be satisfactorily addressed with current levels of funding. But more is happening to our highways than just increasing numbers of vehicles and miles traveled.

Moving to FIGURE 4, the bottom line thereon illustrates the growing daily traffic on our rural Interstate system. Since 1970 we have seen increasing numbers of trucks on our highways, carrying heavier loads than in past years. The upper line on FIGURE 4 illustrates this fact, and indicates that the daily loads being applied to our highways are steadily increasing. Those increasing loads act to wear out our highways at an increasing rate, which accelerates the need for rehabilitation activities. This accelerating need for rehabilitation of our highways is clearly incompatible with decreases in highway funding such as that contained in the Administration's proposed FY 1989 highway budget.

2. Please provide an analysis of trends and spending for the highway program from FY82 through FY88.

Mr. Chairman, we do not have complete highway program data available to us for FY 1987 and 1988. Within the limits of data available to the Association, we offer several tables and exhibits, drawn mostly from information found in the Federal Highway Administration's "Highway Statistics" publications from 1979 through 1986.

The following TABLE 2 illustrates State highway revenues over the period 1980 through 1986, and contrasts revenue increases with increases in the Federal composite construction and maintenance indexes. Information about the trends in these two indexes is contained on attached TABLES 3 and 4, respectively.

TABLE 2: Comparison of 1980-86 Annual Changes in Total State Highway Receipts With Annual Changes in Federal Composite Construction and Maintenance Indexes

Year	Total State Highway Revenue (Billions)	Revenue Change From Prior Year	% Revenue Change From Prior Year	% Change Const. Index From Prior Year	% Change Main. Index From Prior Year
1980	$29.7	$3.4	13.0%	14.3 %	13.9%
1981	$29.1	($0.2)	(0.6%)	(3.9%)	8.7%
1982	$30.6	$1.5	5.2%	(6.3%)	9.4%
1983	$33.0	$2.4	7.8%	(none)	3.9%
1984	$37.3	$4.3	13.0%	5.8%	4.6%
1985	$43.7	$6.4	17.2%	11.0%	6.0%
1986	$45.9	$2.2	5.0%	(0 .2%)	5.1%

As TABLE 2 shows, total State highway revenue increased every year from 1980 to 1986, except for a slight drop in 1981, and by 1986 a 50% overall increase had occurred. But as TABLE 2 also shows, much of the benefit of this increased revenue was eaten away by increases in the prices paid to carry out highway programs, as reflected by the percentage changes each year in the Federal composite construction and maintenance indexes. While the Federal construction index moved both up and down over the period with only a small average increase, the maintenance index moved constantly upward and over this seven year period saw a 43.9% increase, keeping pace with increasing revenue.

While similar data for FY 1987 and FY 1988 are not yet available, it is known that many States enacted highway revenue increases during 1987. Specifically, 33 States introduced motor fuel tax increase legislation during 1987, and of those States 14 enacted increases. In addition, 12 States raised vehicle registration fees, and three enacted local option motor fuel tax legislation, Alabama, Colorado and Missouri. Thus, the States continue to increase highway program revenues.

The relationship between total State highway revenues and the Federal contribution is illustrated by the following TABLE 5, and on attached FIGURE 5.

TABLE 5: Comparison of Total State Highway Receipts With the Federal Portion Thereof

Year	Total State Highway Receipts	Total Federal Contribution In the Receipts	Federal % of Total State Receipts
	(Billions)		
1980	$29.7	$10.0	33.8%
1981	$29.1	$ 8.7	29.2%
1982	$30.6	$ 8.7	28.3%
1983	$33.0	$ 9.2	27.9%
1984	$37.3	$11.0	29.5%
1985	$43.7	$13.1	29.9%
1986	$45.9	$13.3	28.9%

As is perhaps best observed from an examination of FIGURE 5, total State highway receipts climbed rather sharply from 1981 through 1986, with the Federal contribution lagging behind slightly. As noted earlier, the States are continuing to increase highway program revenues as we move toward the end of the 1980's. However, the trend in Federal contributions toward the highway program is in a downward direction, looking at the cuts in funding made in FY 1988 and what is proposed in FY 1989.

The downward trend in the Federal-aid Highway program is described in attached TABLE 6, which was prepared by the Federal Highway Administration, and attached FIGURE 6.

TABLE 6 lists highway program authorizations for Fiscal Years 1967 through 1988, and the obligation limitations imposed by the Congress over this period. As is graphically clear from the two different presentations of FIGURE 6, obligation ceilings generally kept pace with authorizations until the early 1980's, but now the gap is substantial and becoming greater. FIGURE 6 also displays another problem, the flat level of highway program authorizations through 1991 at a time when State highway receipts must increase. This flatness is made considerably worse by the clear downward trend in the obligation ceiling, a trend that is continued in the Administration's proposed budget and which is simply unnecessary in view of the large balance in the Highway Trust Fund.

Mr. Chairman, it is and has long been the position of the Association that the use of obligation ceilings should be ended in the Federal-aid Highway program. Instead, the authorization levels duly approved by this Committee and the Congress should control the program, with the integrity of the Highway Trust Fund being assured by the Byrd Amendment. It is these authorization levels that the public and State elected officials accept as the Federal-aid Highway program, and upon which much programming and planning is based. When the States face obligation ceilings such as those proposed again for FY 1989 in the Administration's budget, reprogramming must be undertaken that is time consuming and frustrating to all concerned. It is the use of obligation ceilings that is the primary reason for the build-up in the balance of the Highway Trust Fund, and for much of the growing frustration with the Federal-aid Highway program and our long standing Federal-State partnership.

Mr. Chairman, before leaving this topic it may be helpful to look at how State highway program receipts are being expended. The following TABLE 7 shows the percentage use of annual State highway disbursements for capital projects, maintenance and debt service.

TABLE 7: Percentages of State Highway Disbursements For Capital Projects, Maintenance and Debt Service

Year	Total State Highway Program Disbursement (Billions)	% Used For Capital Projects	% Used For Maintenance	% Used For Debt
1980	$30.0	51.3%	15.3%	6.7%
1981	$29.1	47.4%	16.8%	6.9%
1982	$29.8	45.6%	17.8%	7.4%
1983	$32.2	46.0%	17.4%	7.5%
1984	$35.6	47.8%	16.6%	6.7%
1985	$40.9	49.6%	15.6%	7.1%
1986	$44.2	49.8%	15.2%	7.7%

The debt service column includes both interest payments and debt retirement, and the relatively low percentages indicate the pay-as-you go nature of the highway program in the States. However, as funding from the Federal-aid Highway program declines as a percentage of overall State highway receipts, it is possible that debt service will be increased out of necessity to move ahead on vital projects.

It is also useful to compare the percentage of funding devoted to maintenance shown in TABLE 7 with the continuing increases in the Federal composite maintenance index of TABLE 2. This comparison illustrates the great pressure being felt by our member departments, Mr. Chairman, as we work each year to maintain our highway system.

3. What personnel increases or decreases are being proposed in FY89 compared with FY88 levels?

Mr. Chairman, we have little comment on this question. We have noted the proposed personnel information for the Federal Highway Administration contained in the Department of Transportation budget information, and are pleased to observe a rather stable overall level of employees after the cuts of recent years. The FHWA administers a large and important Federal program, one that touches every one of our member departments and the citizens for whom we all work. The FHWA is currently well managed and has a cadre of hard working employees. We trust the Congress will continue to provide it with sufficient personnel to carry out its missions.

4. Please discuss any rescissions, deferrals or supplementals proposed for FY88.

Mr. Chairman, as of the time this statement was prepared we had received no information on these matters, and thus have no comments thereon.

5. Please indicate if any legislative initiatives are necessary, or are being considered, to implement any part of the agency's FY89 budget request. If so, please describe these proposals and specify the budgetary impact of each provision.

Again, Mr. Chairman, we have not received any information regarding this question and thus cannot comment thereon. With respect to both this and the previous question, if information is developed where the Committee would like to have the viewpoint of AASHTO, please so advise and we will respond.

6. Please discuss the financial status of the Highway Trust Fund. Have there been unexpected shortfalls in revenues? What do the various tax exemptions represent in lost revenue?

Mr. Chairman, the overall financial status of the Highway Trust Fund appears sound to the Association at this time. However, we do have concerns about the future, given the number of bills pending in the Congress that would encourage the use of tax exempted alternate fuels such as ethanol.

Turning first to the status of the Highway Trust Fund, a summary of the income by source, outlays and the balance is shown on attached TABLE 8, prepared by the Federal Highway Administration. It shows 1987 income of $12.727 billion, including $0.934 billion in interest earnings. The 1987 balance in the Trust Fund is shown as $9.412 billion.

The complexity of the Highway Trust Fund is illustrated by the attached TABLE 9, taken from "Highway Statistics 1986" and showing the status of the Trust Fund for the year ended September 30, 1986. TABLE 9 also shows nine categories of deductions from trust fund receipts for refunds and tax credits, totalling $210 million.

The status of the Highway Trust Fund since its establishment in 1956 is shown in attached FIGURE 7, also taken from "Highway Statistics 1986."

With respect to the cost to the Highway Trust Fund of the current gasohol exemption, it is estimated at about $445 million for 1986 by the Federal Highway Administration. If Congress were to expand use of full or partially tax exempt alternative fuels, the impact on the Highway Trust Fund could be devastating. For example, as former Federal Highway Administrator Ray Barnhart observed in his October 19, 1987 letter to Sen. Stafford, a proposal approved by the House Agriculture Committee on October 15, 1987, if accepted by the Congress, could have reached a level of loss to the Highway Trust Fund of perhaps $4 billion a year by 1992. Under that House proposal, which required that by 1992 all motor fuels sold in the U.S. must be 5 percent ethanol, by that year 50 percent of all gasoline sold would be under a tax exemption.

Mr. Chairman, it is the position of the Association, and one of our priority national goals for 1988, that the exemptions from the full Federal motor fuel tax for alternate fuels such as gasohol be ended, and certainly not expanded. We do not oppose use of alternate fuels, but do strongly oppose subsidizing them from the Highway Trust Fund.

The principle of the Highway Trust Fund and the user fees supporting it is that highway users will pay equitably for their use of the system in proportion to miles driven, by taxing the fuel used to drive those miles. When one class of users is exempted from part or all of the tax because of the fuel used, it is unfair to all of the other users and deprives the Trust Fund of revenue to which it is rightly entitled on the basis of highway usage.

We are aware, Mr. Chairman, that the Congress is considering Clean Air legislation that may include provisions mandating the usage of gasohol and other alternate fuels. If such legislation is enacted without at the same time eliminating the fuel tax exemption for such alternate fuels, and if such mandates result in huge increases in the use of the tax exempted alternate fuels, it could rapidly shrink revenues to the Highway Trust Fund to the point where little revenue would be available to finance the Federal-aid Highway program and the Mass Transit Account of the Trust Fund. Mr. Chairman, we believe this threat is very real, and urge that you carefully review the matter.

Before leaving the topic of fuel tax exemption for alternate fuels, Mr. Chairman, it should also be observed that if use of these alternate fuels is mandated, the rationale used to establish their current fuel tax exemption vanishes. The purpose of the tax exemption is to encourage voluntary usage of the alternate fuels; if the use of alternate fuels is mandated, no further "encouragement" is required and no reason for an exemption exists.

Mr. Chairman, the Association and the nation's highway users who pay the taxes that support the Highway Trust Fund strongly believe that the balance in the Fund should be expended, especially at a time when highway needs are increasing so rapidly.

We also note with satisfaction that the Congress has taken action to improve the collection of motor fuel taxes, and we commend you for closing loopholes that have been exploited by the underworld and others to deprive the nation of hundreds of millions of dollars in highway user fees. But with those loopholes now being closed, it can be expected that perhaps as much as $1 billion a year will be added to the Highway Trust Fund, which if not expended will build up the Trust Fund balance even further. At the very least, Mr. Chairman, any such additional direct revenue should be expended, following the "revenue neutral" philosophy stated in the Department of Transportation's budget.

7. What additional non-Federal sources of funding appear most viable to meet highway needs? What types of funding flexibility might prove helpful in making better use of limited revenues?

Mr. Chairman, State and local governments are today seeking out new sources of funds for meeting highway needs, beyond traditional highway user fees. As is shown on FIGURE 5, they have been successful during the 1980's in more than keeping pace with the availability of Federal funds.

In 1986 AASHTO sponsored a national conference on State highway finance, specifically to examine a wide range of possible revenue sources. That conference resulted in a report titled "Understanding the Highway Finance Evolution/Revolution", and I am providing the Committee with copies thereof. Among the categories of funding devices examined were the following:

- Highway user fees, including motor fuel taxes, vehicle registration fees, and special fees applied to heavy trucks to compensate for the additional wear they place on the highway system, including weight-distance taxes.
- Toll roads and bridges, a direct user fee revenue concept that is receiving renewed interest in many parts of the nation because of the shortage of Federal-aid Highway funding and other revenue.

- Non-user fees, primarily money from the general funds of the State or other governmental entity. Such funding is being provided by some States, but the great majority still rely mostly on traditional user fee sources.

- Special benefit fees, assessed against those who benefit from a highway project such as a major shopping center or other development. These fees can be directly assessed, or can be collected through taxation by creating special districts of the traditional type or the more recently developed tax increment type. In the tax increment district only the incremental value added over time to land because of the highway project is taxed, a tool that is effective where large office or industrial parks are being developed that create high land values.

- Private financing, where a private sector entity undertakes to construct and possibly operate a facility. A current example of this is a privately owned toll road facility now under consideration in Virginia near Dulles Airport.

- Debt financing, which has taken on a number of variations in recent years. As is illustrated by TABLE 7, debt financing currently provides only a small portion of total State highway receipts. But given the shortage of Federal-aid Highway funds and limitations on increasing user fees, coupled with growing needs that must be met, more States are examining and utilizing this funding tool.

All of these techniques are discussed in "Understanding the Highway Finance Evolution/Revolution," and the States are exploring every approach advanced. But it is simply not possible for all States to replace all the reductions occurring in Federal-aid Highway funding, especially while Federal user taxes are still being collected and a nearly $10 billion balance remains in the Federal Highway Trust Fund. Highway users who provide the bulk of highway revenues rightly ask, "Why don't you first spend the dollars you have already collected?"

As to what further flexibility the States might be given in the use of available Federal-aid Highway funding, one area is with respect to toll roads. The Association is on record favoring the ability of States to develop new toll highways in conjunction with use of Federal funds on Federally aided projects, and to allow the imposition of tolls on Federal-aid highways where uniquely high maintenance, construction or reconstruction costs exist. We were pleased to see a pilot toll road provision included in the STURAA of 1987, and would urge that it be extended to all States.

Similarly, Mr. Chairman, the Association was pleased at the inclusion in the STURAA of the pilot block grant approach to allow a small number of States and their local governments to utilize urban and secondary funds with considerable flexibility. We would also support expansion of this program to include all States. Given the shortage of funding and the diversity of needs being faced by State highway agencies, maximum flexibility in the use of available Federal-aid funding is most desireable.

8. Please comment on the concept of a turn-back of tax authority or of Federal funds to the States. Also, please discuss returning the responsibility for the overall program, or portions of the program, to the States.

Mr. Chairman, the Association has not adopted policy specifically directed at either a turn-back of tax authority or of Federal funds to the States, and thus I cannot provide AASHTO's views thereon. This topic is one of a number of issues now being considered in the AASHTO-initiated TRANSPORTATION 2020 effort, which was created to develop concepts for the surface transportation program into the next century.

The turn-back concept is, however, being discussed in many States, whether of revenue or taxing authority. There are many factors that need to be considered in examining the merits of turn-back, including the following:

- Assurance that a national network of high quality highways will continue to be developed and maintained, to support the nation's commerce.
- Concern that some State legislatures could be persuaded to not utilize the turn-back authority for highway purposes or to utilize lower than acceptable standards, thereby doing damage to the highway system.
- Concern by local governments and others within the States there might not be an equitable distribution of funding resulting from a turn-back.
- Concern by small States with limited resources about raising sufficient revenue to adequately sustain their highway programs.

At the same time, growing frustration with the current Federal-aid Highway program is causing serious consideration of turn-back proposals. These frustrations include such matters as the refusal of the Federal government to spend down the balance in the Federal Highway Trust Fund, the difficulty of obtaining regular funding decisions from the Congress, the continuing imposition of sanctions on obtaining and utilizing highway funds, lack of flexibility in utilizing Federal funds, and the increasing Congressional practice of endeavoring to directly program scarce highway funds through demonstration projects and appropriation earmarkings.

The future role of the Federal and State partnership in the Federal-aid Highway program is clearly under discussion nation-wide, and it is difficult at this time to predict what may result. Mr. Chairman, AASHTO is endeavoring to keep members of this Committee and your staff informed about what is occurring in the TRANSPORTATION 2020 effort, and we will of course keep you advised as to policy development actions occurring within the Association.

In this respect, Mr. Chairman, I would note that our Executive Director recently transmitted to you and all members of Congress our 1988 "Transportation Policy Book," which contains a number of policy resolutions and statements that touch on the highway program. Further copies of that Book are being supplied with this statement.

9. Please address the issue of removing the Highway Trust Fund from the unified budget and exempting the accounts from the Gramm-Rudman-Hollings law.

Mr. Chairman, AASHTO is in support of removing the Highway Trust Fund from the unified budget. This matter was most recently addressed by AASHTO during our 1987 Annual Meeting in San Diego last December, when two resolutions concerning removal of the Highway Trust Fund were approved.

The first resolution is identified as PR14-87, titled "Requesting Removal of Transportation Trust Funds from the Federal Unified Budget," and it will be found on pages 120 and 121 of the 1988 AASHTO "Transportation Policy Book." As reasons for our position, PR14-87 states that:

- It is inappropriate to subject dedicated trust fund revenues to the annual Congressional budget resolution processes of the Unified Federal Budget, since trust fund revenues are user fees collected in advance of expenditures.
- The transportation user fee concept is a pay-as-you-go concept which does not contribute to the Federal deficit.
- The expenditure ceiling in the Unified Federal Budget process imposed on transportation programs is an artificial ceiling which masks the true deficit, producing no real deficit reduction benefit.
- The nation's transportation infrastructure is being inadequately addressed due to artificial expenditure ceilings.

The second resolution on this topic is a joint resolution produced by AASHTO in conjunction with the Associated General Contractors (AGC) and the American Road and Transportation Builders Association (ARTBA), with whom we have operated a joint AASHTO-AGC-ARTBA committee for many years. Identified as JCR4-87, "Transportation Programs and Unified Budget," this resolution will be found on pages 128 and 129 of the "Transportation Policy Book." It recommends removal of all the transportation Trust Funds from the Unified

Federal Budget, and the end of obligation ceilings on the highway program. In so doing, the resolution states:

- The adoption of a Unified Federal Budget that includes Federal-aid Highway and Airport/Airways programs has resulted in disruption of State and Federal programs that would benefit the total transportation system throughout the country.

- Needed improvements to highways, bridges and airports have been unnecessarily delayed resulting in needles property damage, injuries, and lost lives with tremendous total costs to our country.

As is required for the adoption of AASHTO policy, more than 35 of our 52 member departments approved both resolutions.

Mr. Chairman, for the reasons stated in the resolutions the Association believes that the trust funds should be removed from the Unified Federal Budget and allowed to operate as intended.

10. Please comment on the issue of productivity losses and lost tax revenue due to the lack of needed highway and bridge improvements.

Mr. Chairman, the Association is not aware of any definitive studies that firmly establish the linkage between transportation and economic activity. This is an area where we are now creating a task force as part of our TRANSPORTATION 2020 effort, and we will be pleased to advise you of any findings it may make.

But in the absence of formal studies of the issue, every American can personally observe the impact of inadequate highways on his or her everyday life. When unrelieved traffic congestion requires a doubling or more of commutation time, this is time lost to other activities. For working men and women who must drive from location to location, such as salespersons, time spent waiting in traffic is lost productive time.

Increasingly, State transportation and economic development officials are relating instances where industrial companies have made locational decisions on the basis of traffic congestion, a situation that will increase now that the just-in-time production philosophy is being adopted by many companies wherein supplies are delivered to a factory just before they are required on the production line. Many governments can also relate instances where industrial enterprises were lost to them, because they could not assure provision of adequate highways; these instances result in lost tax revenues.

It is also evident that poor highways contribute to accidents that kill or injure people. When injuries occur time is often lost from the job, again affecting productivity. The resulting grief and pain, aside from all our concerns about its human aspects, affect productivity.

Clearly, Mr. Chairman, even in the absence of formal study findings, there is a loss to the nation in both productivity and tax income when transportation facilities are inadequate.

11. Please discuss the future Federal role in financing the highway program.

Mr. Chairman, the future Federal role in financing the highway program is one of many issues being considered in the AASHTO-initiated TRANSPORTATION 2020 program, and we do not have definitive recommendations to make at this time. Clearly, decisions in this area must be made over the next few years, as we move toward the end of the STURAA of 1987 and the post-Interstate construction era.

As I discussed in response to the "turn-back" question, there are a number of issues involved with regard to Federal-aid Highway funding that need to be discussed and analyzed. We believe that the TRANSPORTATION 2020 process will provide a full airing of the matter, through the many activities now underway. Those activities include:

- An examination of a wide variety of issues by transportation professionals in our member departments, including a detailed analysis of the highway requirements of our nation looking toward the year 2020. In this effort we have had the cooperation of the Federal Highway Administration, which is also conducting an analysis of the future of the highway program. We are also working with transportation professionals in local government and elsewhere, as part of this phase of information gathering and analysis.

- Through the AASHTO-established Advisory Committee on Highway Policy, chaired by Lester Lamm, President of the Highway Users Federation, public forums are now being conducted in the States, in cooperation with our member departments. These forums, more than half of which are now completed, are intended to provide highway and other surface transportation users within each State - public officials, business people and ordinary citizens - an opportunity to be heard on how they believe our future surface transportation requirements should be addressed. Many suggestions about the role of the Federal government are being received, together with recommendations on program content and State and private sector roles. These forums will result in a report that will be most useful to all of us, and you will certainly be provided with copies thereof.

- In late June, the Transportation Research Board will be holding a conference on the future, initiated and supported financially by AASHTO, the Federal Highway Administration and the National Association of Regional Councils, with involvement of the Transportation Alternatives Group. This conference will examine issues that will affect transportation in the early decades of the next century, including such matters as the demographic, economic and industrial needs we can expect, the availability of fuels, and the impact of new technologies.

- A unique organization, the Transportation Alternatives Group (TAG), will soon commence operations that will take all of the information being generated through the activities just described and from studies it may commission, and produce an evaluation of the transportation requirements facing the nation in the coming decades. It will then develop alternative approaches to meeting those requirements, and work with AASHTO and the over one hundred other involved organizations seeking a consensus on how to proceed. The TAG brings together twelve public and private sector organizations that are concerned about national transportation policy, and which have never before cooperated in this manner. The TAG is now engaged in what appears to be a successful effort to raise sufficient funds through contributions to support its program, and has engaged a staff director expert in transportation issues and consensus building. The twelve groups involved are:
    - National Governors' Association
    - National Conference of State Legislatures
    - National Association of Counties
    - U.S. Conference of Mayors
    - National League of Cities
    - National Association of Regional Councils
    - American Association of State Highway and Transportation Officials
    - American Public Works Association
    - American Public Transit Association
    - American Automobile Association
    - American Trucking Associations
    - Highway Users Federation

Mr. Chairman, it is AASHTO's intent and desire that this Committee and your staff be involved with the TRANSPORTATION 2020 effort, and we are working toward that end. We believe that this project will provide all of us with guidance on how to plan for the future of surface transportation in this nation, and look forward to its recommendations early in 1989.

Summary:

Mr. Chairman, before concluding this testimony I want to communicate to you and the Committee our gratitude for the time and attention you devote to the needs of America's highways. The Federal role in helping provide the nation with an efficient, good highway system has been very important, and it continues to be important as we move toward completion of the Interstate system.

The Board of Directors/Policy Committee of AASHTO met in Washington on February 19, Mr. Chairman, and approved four national program priority goals for AASHTO in 1988, three of which directly relate to the subject matter of this hearing. To conclude this testimony, let me briefly state those three goals:

- Funding Levels and Stability

  The revenues flowing into the Highway Trust Fund should be fully expended for the purposes collected. Further, every effort should be made to fund the highway program up to the levels authorized by the Congress and to ensure stable funding through the life of the STURAA of 1987. Finally, the practice of imposing obligation ceilings on the highway program should be ended.

- Equitable Taxation of Alternative Fuels

  Subsidization of ethanol and other alternate fuels through the Highway Trust Fund should be ended, and certainly not expanded.

- No Use of the Motor Fuel Tax for Deficit Reduction

  The Federal highway motor fuel taxes are collected from highway users for the sole support of transportation programs, and revenues collected are dedicated to this purpose. Motor fuel taxation should continue to be used only to support transportation, and should not be employed for deficit reduction or general government purposes.

Mr. Chairman, on behalf of the member departments of the Association I thank you for this opportunity to present our views on the Federal-aid highway program and the budgetary issues before you. We will be pleased to respond to any questions you may have, either now or in writing later.

# # #

ATTACHMENTS TO TESTIMONY OF
LENO MENGHINI

PRESIDENT
AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

FEBRUARY 29, 1988

BEFORE THE

SENATE COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS

HIGHWAY
DIVISION

OREGON DEPARTMENT OF TRANSPORTATION
SALEM, 97310

For More Information Call: Cam Gilmour
378-6563

Feb. 12, 1988

88-41 S

HIGHWAY CONSTRUCTION CUT

A larger-than-expected federal highway fund cut of some $40 million is forcing the Oregon Highway Division to put some projects on indefinite hold.

"There will be a great deal of disappointment, I think, in that people are hopeful that the projects that are long-standing projects in their area will someday get funding," said Cam Gilmour, program section manager for the division.

"Unfortunately, even with the large increases in state revenue, this just isn't going to be possible," he said.

According to Gilmour, the cut in federal funds means fierce competition for $150 million in state gas tax increases that will help fund major highway work for the next six years.

Statewide Six-Year Highway Improvement Program meetings in late February and early March will give Oregon communities a chance to vie for highway project funding and to tell the division which projects are most important in their area.

Well-organized presentations and strong community support help in getting local highway work funded, Gilmour said.

"We do depend heavily on having the sensitivity that local input gives us in making our decisions. We want to make sure that our priorities are as closely aligned to the local sense of priorities as we can practicably make them," Gilmour said.

1989-94
Six-Year Highway Improvement Program Update
Public Meeting Schedule

7 p.m. February 23
United Telephone
902 Wasco
Hood River

7 p.m. February 25
Marshall High School
396 S.E. 91st
Portland

7:30 p.m. February 25
Harris Hall
125 E. 8th Avenue
Eugene

7:30 p.m. February 25
Klamath County Courthouse
Klamath Falls

7 p.m. February 29
Clackamas High School
13801 S.E. Webster Road
Milwaukie

7:30 p.m. February 29
Redmond High School
Redmond

7 p.m. March 1
McMinnville Community Center
600 N. Evans St.
McMinnville

7:30 p.m. March 1
City Council Chambers
900 S.E. Douglas Avenue
Roseburg

7 p.m. March 1
Harney County Museum
Burns

7 p.m. March 2
St. Helens High School
2375 Gable Road
St. Helens

7:30 p.m. March 2
City Council Chambers
411 W. 8th
Medford

7 p.m. March 2
Hermiston Civic
Recreation Center
Hermiston

7 p.m. March 3
the Old Armory Building
104 S.W. Fourth Avenue
Albany

7:30 p.m. March 3
City Council Chambers
Coquille Community Center
Coquille

7 p.m. March 3
La Grande High School
La Grande

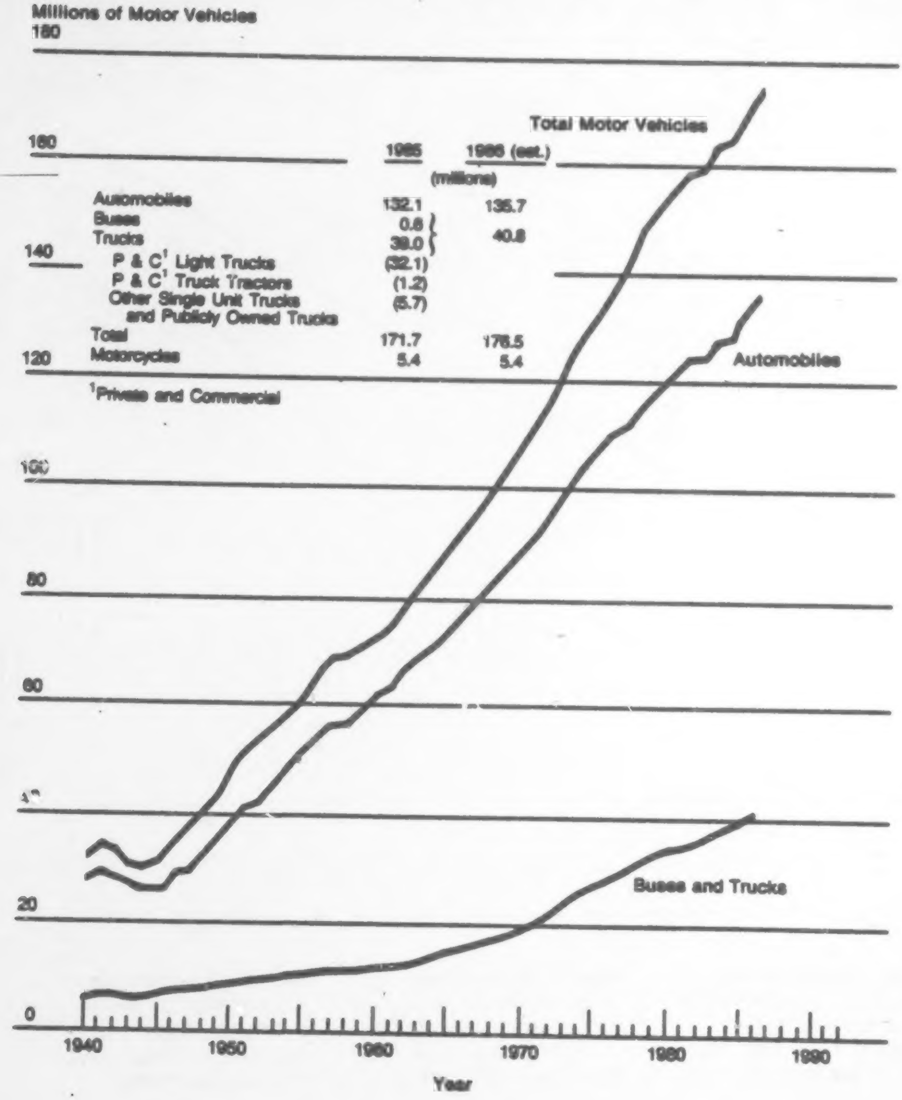
7 p.m. March 7
Whitford Middle School
7935 S.W. Scholls Ferry Road
Beaverton

7 p.m. March 8
Hatfield Marine Science Cente
Newport

7 p.m. March 10
Seaside Convention Center
415 First Street
Seaside

Motor Vehicle Registrations

The number of registered motor vehicles in the United States has increased steadily from 30 million in 1944 to 177 million in 1986. Automobiles account for 75 percent or 110 million of the 146 million vehicle increase in the 42 years since 1944.



	1985	1986 (est.)
	(millions)	
Automobiles	132.1	135.7
Busses	0.6	40.8
Trucks	39.0	
P & C[1] Light Trucks	(32.1)	
P & C[1] Truck Tractors	(1.2)	
Other Single Unit Trucks and Publicly Owned Trucks	(5.7)	
Total	171.7	176.5
Motorcycles	5.4	5.4

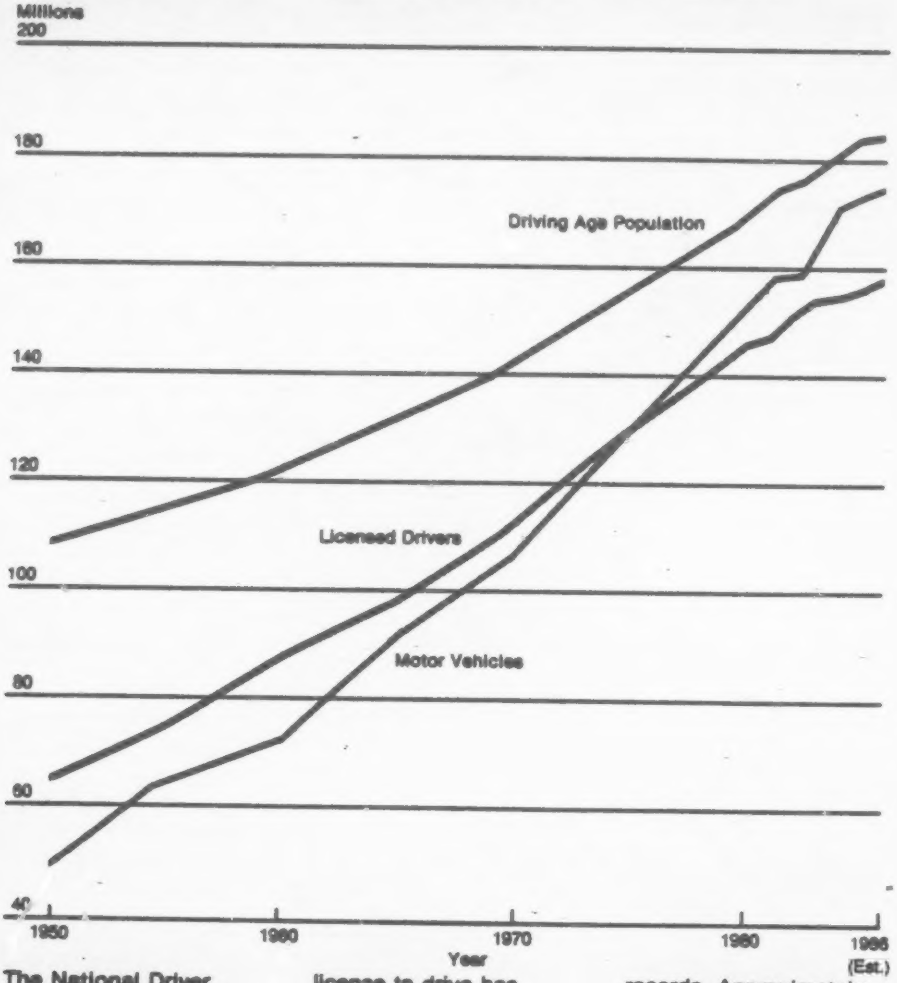
[1] Private and Commercial

FIGURE 1

SOURCE: FHWA 1987 "Our Nation's Highways" Publication, page 8

Licensed Drivers, Population, and Motor Vehicles

In 1950, 57 percent of the driving age population were licensed to drive a motor vehicle. By 1986, 86 percent of the driving age population were licensed drivers. There were 1.26 licensed drivers for every registered motor vehicle in 1950. In 1972, the ratio was about one to one, and by 1986, it had fallen to 0.90, or 1.1 vehicles per licensed driver.



The National Driver Register, established by the Congress in 1960, is a central index of drivers whose license to drive has been denied or withdrawn. In fiscal year 1986, the index contained 11.2 million records. Approximately 63,000 State inquiries were processed daily, resulting in about 1,300 matches each day.

FIGURE 2

SOURCE: FHWA 1987 "Our Nation's Highways" Publication page 13

Vehicle-Miles of Travel

Travel reached an estimated 1.849 trillion vehicle-miles in 1986, an increase of 4.2 percent over 1985 and an increase of 31.9 percent compared to 1976. Total travel for 1986 equates to an average of approximately 10,500 miles-per-vehicle annually.

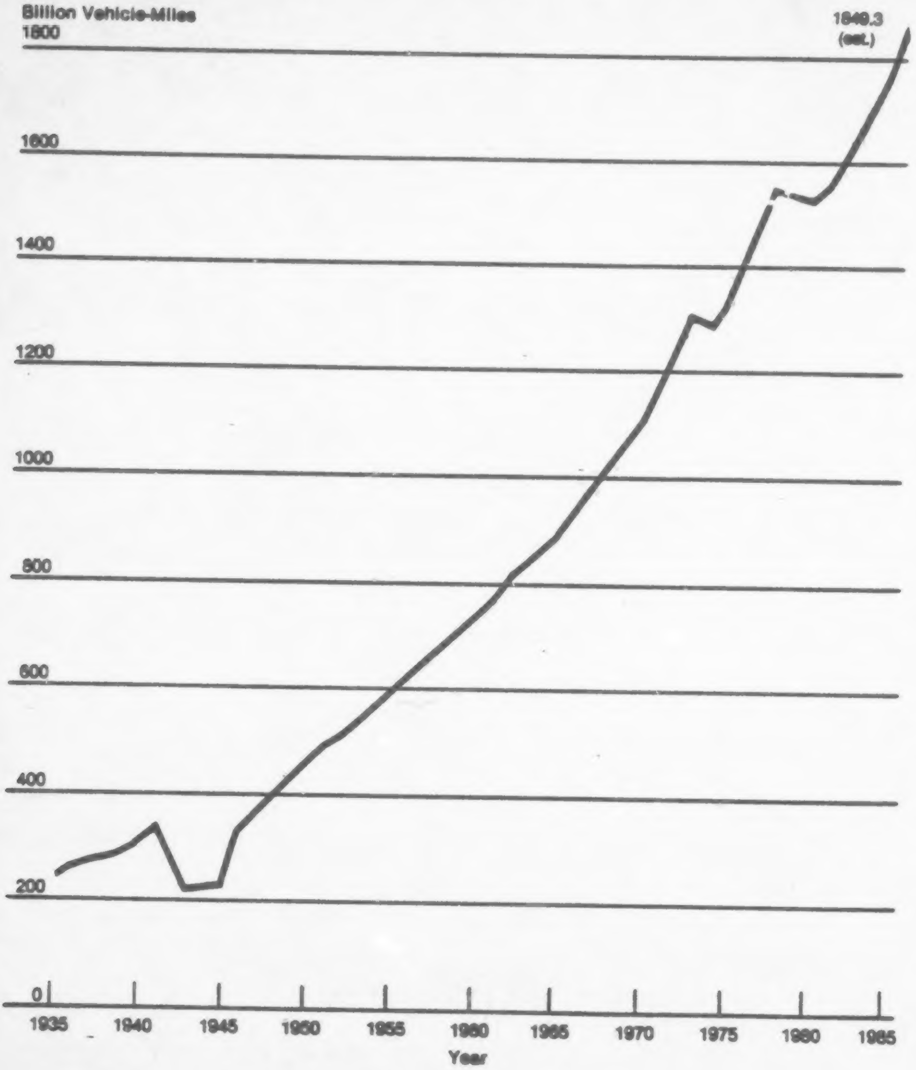


FIGURE 3

SOURCE: FHWA 1987 "Our Nation's Highways" Publication page 16

COMPARISON OF GROWTH IN VOLUMES AND LOADINGS ON THE RURAL INTERSTATE SYSTEM

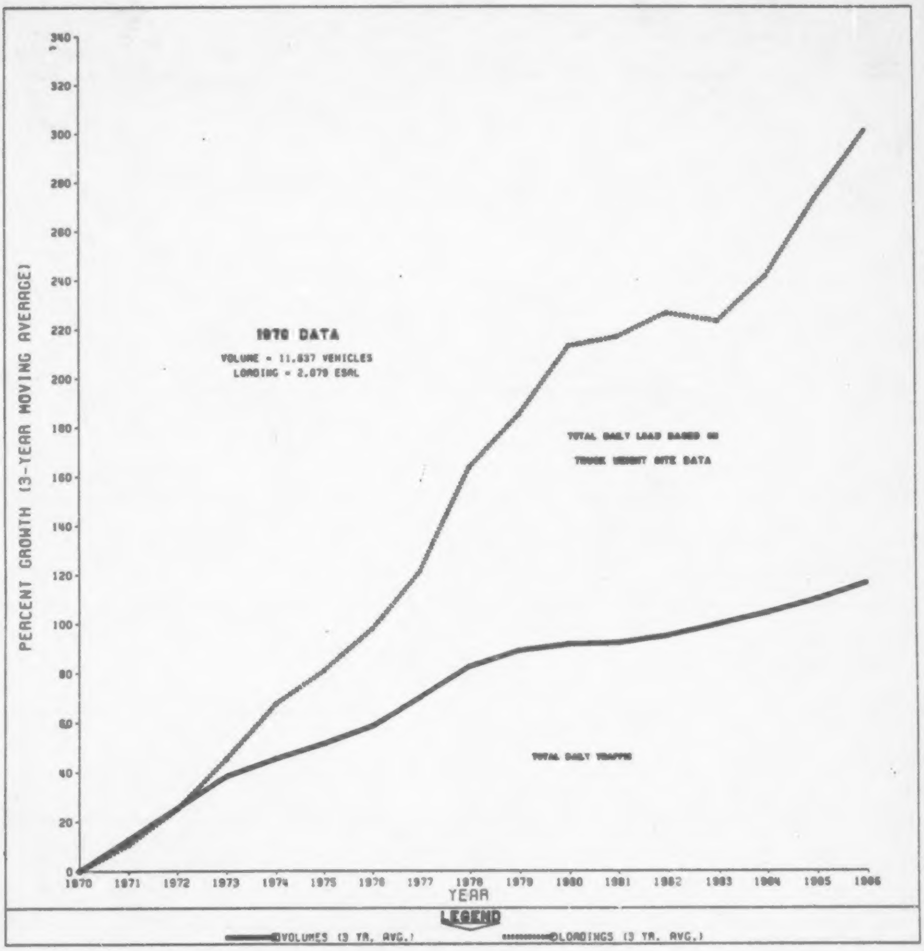


FIGURE 4

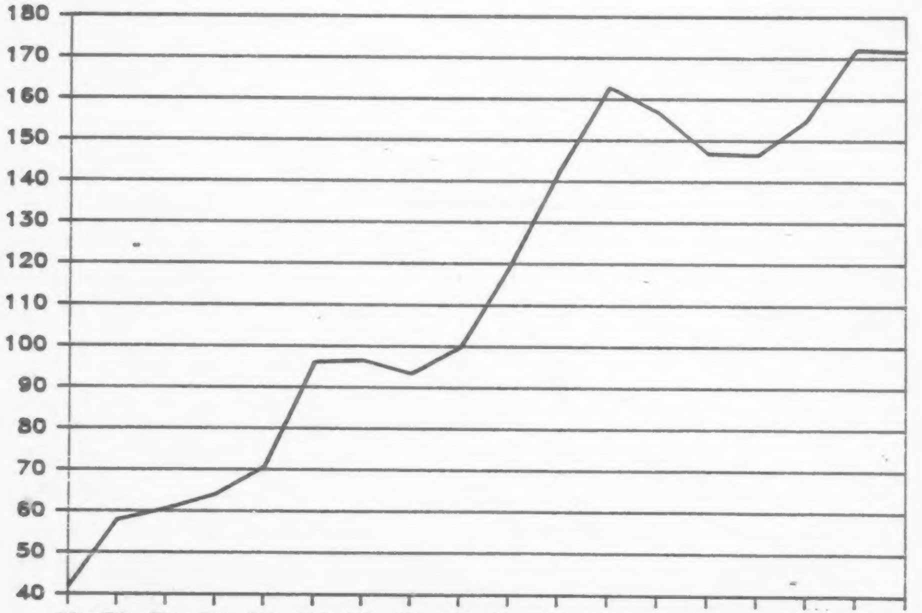
SOURCE: FHWA "Highway Statistics 1986" Publication
page 186

PRICE TRENDS FOR FEDERAL-AID HIGHWAY CONSTRUCTION

1977 BASE YEAR = 100

TABLE PT-1
JULY 1987

YEAR	EXCAVATION	SURFACING	STRUCTURES	COMPOSITE
1960	34.0	42.7	35.9	37.0
1965	40.6	42.4	41.3	41.7
<><><><><><>	<><><><><><><><><>	<><><><><><><><><>	<><><><><><><><><>	<><><><><><><><><>
1970	56.6	54.0	63.9	58.0
1971	57.6	58.9	67.0	60.8
1972	62.0	61.2	67.9	64.2
1973	68.4	66.5	75.4	70.8
1974	85.6	93.3	103.9	96.3
1975	88.6	95.1	102.1	96.7
1976	88.7	93.6	95.4	93.4
1977	100.0	100.0	100.0	100.0
1978	131.9	112.7	118.0	119.4
1979	138.8	138.3	148.1	142.6
1980	157.2	159.1	169.1	163.0
1981	151.4	158.2	158.1	156.7
1982	136.2	148.9	150.3	146.8
1983	149.6	147.5	144.1	146.5
1984	163.6	160.5	146.3	155.0
1985	192.3	171.4	163.0	172.1
1986	196.0	166.7	163.9	171.6



1/ DETAILED INFORMATION IS AVAILABLE FROM THE FEDERAL HIGHWAY ADMINISTRATION IN ITS QUARTERLY PUBLICATION "PRICE TRENDS FOR FEDERAL-AID HIGHWAY CONSTRUCTION," PREPARED BY THE FEDERAL-AID DIVISION, OFFICE OF ENGINEERING.

TABLE 3

SOURCE: FHWA "Highway Statistics 1986" Publication, page 58

COST TRENDS

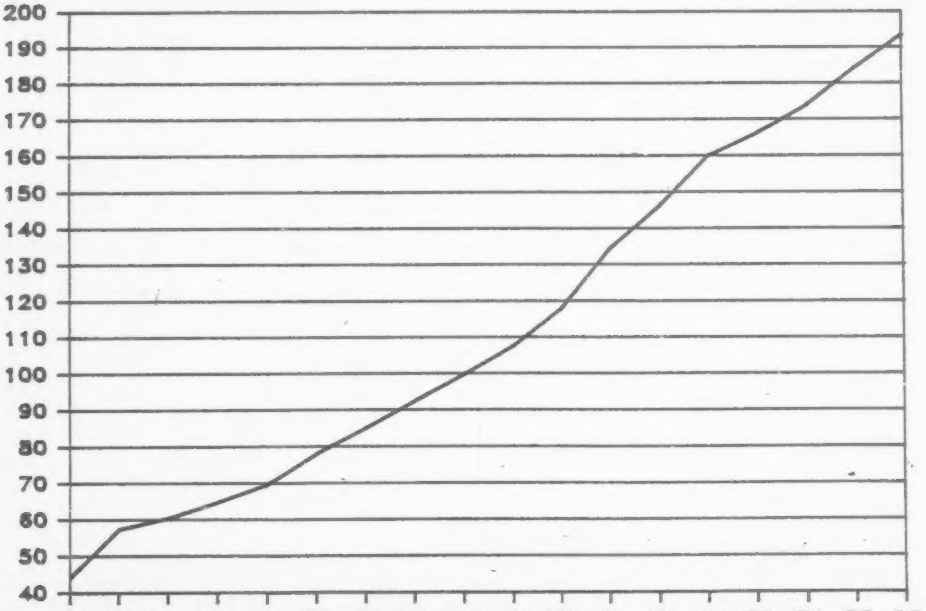
HIGHWAY MAINTENANCE AND OPERATION [1]

CONSTRUCTION AND MAINTENANCE DIV.
OFFICE OF HIGHWAY OPERATIONS

1977 BASE YEAR = 100

TABLE PT-5
JULY 1987

YEAR	LABOR	MATERIAL	EQUIPMENT	OVERHEAD	TOTAL
1960	33.52	46.72	44.80	53.11	38.61
1965	40.44	48.96	48.53	58.05	44.18
<><><><><>	<><><><><>	<><><><><>	<><><><><>	<><><><><>	<><><><><>
1970	57.55	54.79	54.88	73.69	57.55
1971	61.20	57.91	55.59	77.45	60.46
1972	65.23	61.37	61.79	81.20	64.89
1973	69.87	64.35	68.86	84.95	69.86
1974	75.83	84.09	79.05	88.71	78.18
1975	81.72	95.60	87.85	92.46	85.24
1976	91.08	95.11	94.95	96.21	92.69
1977	100.00	100.00	100.00	100.00	100.00
1978	106.99	115.17	107.45	103.72	107.83
1979	114.51	136.26	120.84	107.48	118.17
1980	129.21	157.11	142.60	111.23	134.58
1981	136.96	159.31	167.84	130.36	146.29
1982	150.79	171.58	182.78	141.44	160.04
1983	157.58	170.04	188.38	159.40	166.28
1984	165.93	181.77	188.64	177.57	173.93
1985	176.05	194.68	197.13	195.86	184.37
1986	183.80	192.79	218.14	204.73	193.71

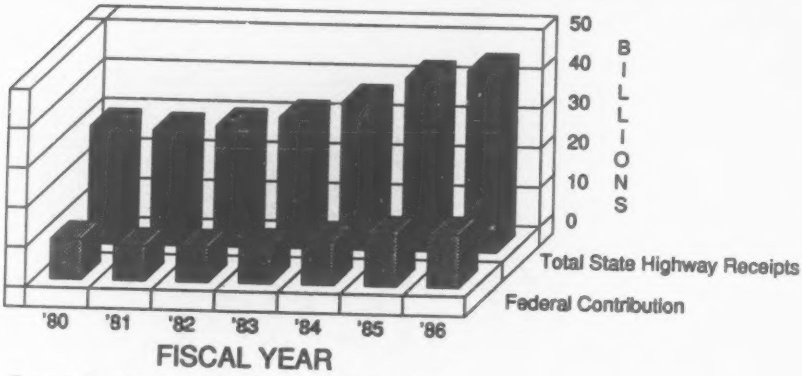


1/ THESE DATA ARE PREPARED FROM THE UNIT COST INFORMATION SUBMITTED EACH YEAR BY STATE HIGHWAY DEPARTMENTS, AND COVER BOTH PHYSICAL MAINTENANCE AND MAJOR TRAFFIC SERVICE ITEMS, INCLUDING SNOW AND ICE CONTROL.

TABLE 4

SOURCE: FHWA "Highway Statistics 1986" Publication, page 61

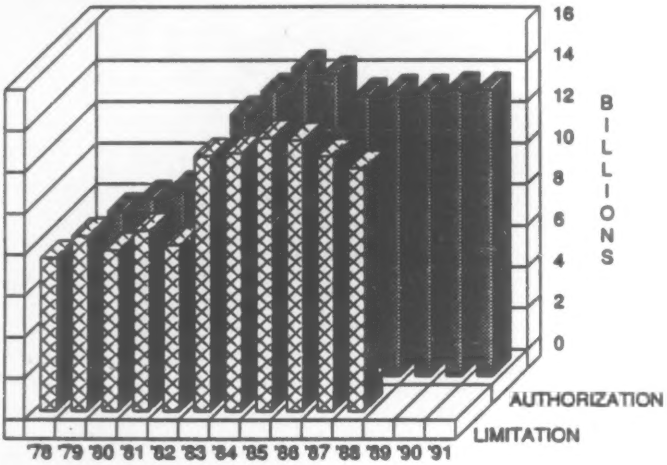
FIGURE 5
TOTAL STATE HIGHWAY RECEIPTS
COMPARED TO FEDERAL PORTION



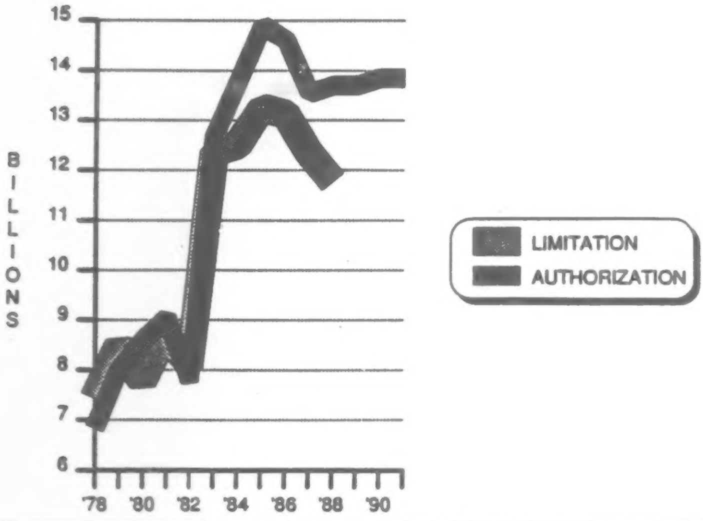
Source: "Highway Statistics", FHWA, 1979-1986

FIGURE 6

COMPARISON OF FEDERAL HIGHWAY AUTHORIZATIONS AND OBLIGATION LIMITATIONS SINCE 1978



COMPARISON OF FEDERAL HIGHWAY AUTHORIZATIONS AND OBLIGATION LIMITATIONS SINCE 1978



AASHTO February,1988

HFS-31/2-5-88
C:AUTH-LIM.WR1

FEDERAL-AID HIGHWAY PROGRAM AUTHORIZATIONS AND OBLIGATION LIMITATION FY 1967 THRU FY 1988

YEAR	AUTHORIZATION	LIMITATION
FY 1967	$ 4.000 BILLION	$ 4.343 BILLION
FY 1968	4.400 BILLION	4.115 BILLION *
FY 1969	4.800 BILLION	4.769 BILLION
FY 1970	5.425 BILLION	5.425 BILLION
FY 1971	5.425 BILLION	4.600 BILLION
FY 1972	5.688 BILLION	4.980 BILLION
FY 1973	5.688 BILLION	4.470 BILLION
FY 1974	11.443 BILLION	5.178 BILLION
FY 1975	6.510 BILLION	6.600 BILLION **
FY 1976	5.125 BILLION	9.000 BILLION
TRAN. QTR.	3.317 BILLION	
FY 1977	3.538 BILLION	7.200 BILLION
FY 1978	6.842 BILLION	7.445 BILLION
FY 1979	7.994 BILLION	8.500 BILLION
FY 1980	8.599 BILLION	7.800 BILLION
FY 1981	9.048 BILLION	8.750 BILLION
FY 1982	7.786 BILLION	8.072 BILLION
FY 1983	12.680 BILLION	12.375 BILLION
FY 1984	13.785 BILLION	12.520 BILLION
FY 1985	14.908 BILLION	13.250 BILLION
FY 1986	14.610 BILLION	13.125 BILLION
FY 1987	13.552 BILLION	12.350 BILLION
FY 1988	13.704 BILLION	11.780 BILLION

* Effectively there was no FY 1968 limitation as it was for the CY 1968 and covered the period January - June 1968.

** Administrative limitation of $6.6 billion overturned by Senate removal of deferral in April 1975.

TABLE 6

STATUS OF THE HIGHWAY ACCOUNT OF THE HIGHWAY TRUST FOR THE PAST TEN YEARS 1978-87

(MILLIONS OF DOLLARS)

FISCAL YEAR	NET EXCISE TAXES	NET INTEREST	TOTAL INCOME	OUTLAYS	BALANCE
1978	6,905	662	7,567	6.058	11,673
1979	7,189	857	8,046	7.155	12.564
1980	6,620	1,027	7,647	9.212	10,999
1981	6,305	1,129	7,434	9.174	9,259
1982	6,743	1,079	7,822	8,035	9,046
1983	7,777	1,076	8,853	8,838	9.061
1984	10,507	1,026	11.533	10,384	10,210
1985	11,800	1,106	12,906	12.756	10.360
1986	12,251	1,054	13,306	14.180	9,486
1987	11,793	934	12,727	12.802	9,412
TOTAL 1978-87	87,890	9,950	97,840	98.594	

TABLE 8

2/88 FHWA

STATUS OF THE FEDERAL HIGHWAY TRUST FUND[1]

FISCAL YEAR ENDED SEPTEMBER 30, 1986

TABLE FE-10
APRIL 1987

ITEMS	HIGHWAYS	MASS TRANSIT ACCOUNT 2/	TOTAL
I. OPENING BALANCE:	$10,360,790,188.39	$2,524,016,232.56	$12,884,806,420.95
II. RECEIPTS:			
A. EXCISE TAXES (TRANSFERRED GENERAL FUND RECEIPTS)			
1. GASOLINE	7,905,845,089.00	882,855,000.00	8,788,700,089.00
2. GASOHOL	145,523,000.00	71,727,000.00	217,250,000.00
3. DIESEL AND SPECIAL MOTOR FUELS	2,479,286,207.00	158,072,000.00	2,637,358,207.00
4. TIRES	319,544,836.00	-	319,544,836.00
5. INNER TUBES	688,746.00	-	688,746.00
6. TREAD RUBBER	(237,569.41)	-	(237,569.41)
7. TRUCKS AND TRAILERS	1,144,459,575.00	-	1,144,459,575.00
8. FEDERAL USE TAX	532,790,703.00	-	532,790,703.00
9. PARTS AND ACCESSORIES FOR TRUCKS AND TRAILERS	756,969.00	-	756,969.00
10. LUBRICATING OIL	(622,119.00)	-	(622,119.00)
11. FINES AND PENALTIES	3,304,152.69	-	3,304,152.69
12. TOTAL EXCISE TAXES	12,531,339,589.28	1,112,654,000.00	13,643,993,589.28
B. DEDUCT - REIMBURSEMENT TO GENERAL FUND RECEIPTS (REFUNDS AND TAX CREDITS)			
1. GASOLINE USED ON FARMS	170,587,540.00	-	170,587,540.00
2. GASOLINE USED FOR ALL OTHER NONHIGHWAY PURPOSES OR LOCAL TRANSIT SYSTEMS	(67,566,290.00)	-	(67,566,290.00)
3. TAXICAB FUEL REFUNDS	1,754,870.00	-	1,754,870.00
4. FUEL USED IN COMMERCIAL FISHING VESSELS	7,628,600.00	-	7,628,600.00
5. GASOHOL (TAX PAID GASOLINE)	930,120.00	-	930,120.00
6. AVIATION FUELS USED ON FARMS	1,915,530.00	-	1,915,530.00
7. GASOLINE, OTHER	66,309,010.00	-	66,309,010.00
8. DIESEL FUELS	26,360,050.00	-	26,360,050.00
9. GASOLINE, DIESEL AND ALCOHOL MIXTURES	1,702,320.00	-	1,702,320.00
10. TOTAL	209,623,350.00	-	209,623,350.00
C. TRANSFERS			
1. TO LAND AND WATER CONSERVATION FUND	1,000,000.00	-	1,000,000.00
2. TO AQUATIC RESOURCES TRUST FUND	69,301,000.00	-	69,301,000.00
3. TOTAL	70,301,000.00	-	70,301,000.00
D. NET EXCISE TAXES	12,251,415,239.28	1,112,654,000.00	13,364,069,239.28
E. INTEREST	1,054,143,137.41	282,769,079.37	1,336,912,216.78
F. TOTAL RECEIPTS	13,305,558,376.69	1,395,423,079.37	14,700,981,456.06
III. EXPENDITURES: (CHECKS ISSUED BASIS)			
A. FEDERAL HIGHWAY ADMINISTRATION			
1. FOR HIGHWAYS	13,961,720,008.62	-	13,961,720,008.62
2. RIGHT-OF-WAY REVOLVING FUND	18,534,339.09	-	18,534,339.09
3. HIGHWAY RELATED SAFETY GRANTS	24,402,730.30	-	24,402,730.30
4. HIGHWAY SAFETY RESEARCH AND DEVELOPMENT	8,122,680.73	-	8,122,680.73
5. TRUST FUND SHARE OTHER HIGHWAY PROGRAMS	11,190,591.03	-	11,190,591.03
6. MASS TRANSIT	-	632,562,711.07	632,562,711.07
7. TOTAL	14,020,978,332.88	632,562,711.07	14,653,541,043.95
B. NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION	159,380,753.72	-	159,380,753.72
C. TOTAL EXPENDITURES	14,180,359,086.60	632,562,711.07	14,812,921,797.67
IV. BALANCES IN TRUST FUND:			
A. INVESTMENTS			
U.S. TREASURY SPECIAL CERTIFICATES OF INDEBTEDNESS 3/	8,227,523,000.00	3,271,765,000.00	11,499,288,000.00
B. UNDISBURSED BALANCES:			
1. HIGHWAY TRUST FUND	505,511,602.82	(14,261,992.33)	491,249,610.49
2. FOR HIGHWAYS	739,239,190.14	-	739,239,190.14
3. RIGHT-OF-WAY REVOLVING FUND	914,008.90	-	914,008.90
4. HIGHWAY RELATED SAFETY GRANTS	3,393,114.93	-	3,393,114.93
5. HIGHWAY SAFETY RESEARCH AND DEVELOPMENT	1,551,063.30	-	1,551,063.30
6. TRUST FUND SHARE OTHER HIGHWAY PROGRAMS	1,011,840.19	-	1,011,840.19
7. TRANSFER	-	29,373,988.39	29,373,988.39
8. NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION	6,846,988.20	-	6,846,988.20
9. TOTAL	1,258,466,478.48	15,111,996.06	1,273,578,474.54
C. TOTAL BALANCE	$9,485,989,478.48	$3,286,876,996.06	$12,772,866,474.54

1/ THE FUND WAS CREATED JUNE 29, 1956 WITH ENACTMENT OF HIGHWAY REVENUE ACT OF 1956.
2/ THE MASS TRANSIT ACCOUNT WAS ESTABLISHED APRIL 1, 1983 WITH ENACTMENT OF SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982.
3/ CERTIFICATES HELD SEPTEMBER 30, 1986 FOR $70,517,000.00 BORE INTEREST AT 9.25 PERCENT, $40,614,000.00 BORE INTEREST AT 9.375 PERCENT, $89,908,000.00 BORE INTEREST AT 9.5 PERCENT AND $11,298,249,000.00 BORE INTEREST AT 9.75 PERCENT.

TABLE 9

SOURCE: FHWA "Highway Statistics 1986" Publication
page 43

STATUS OF THE
FEDERAL HIGHWAY TRUST FUND

(EXCLUDES MASS TRANSIT ACCOUNT)

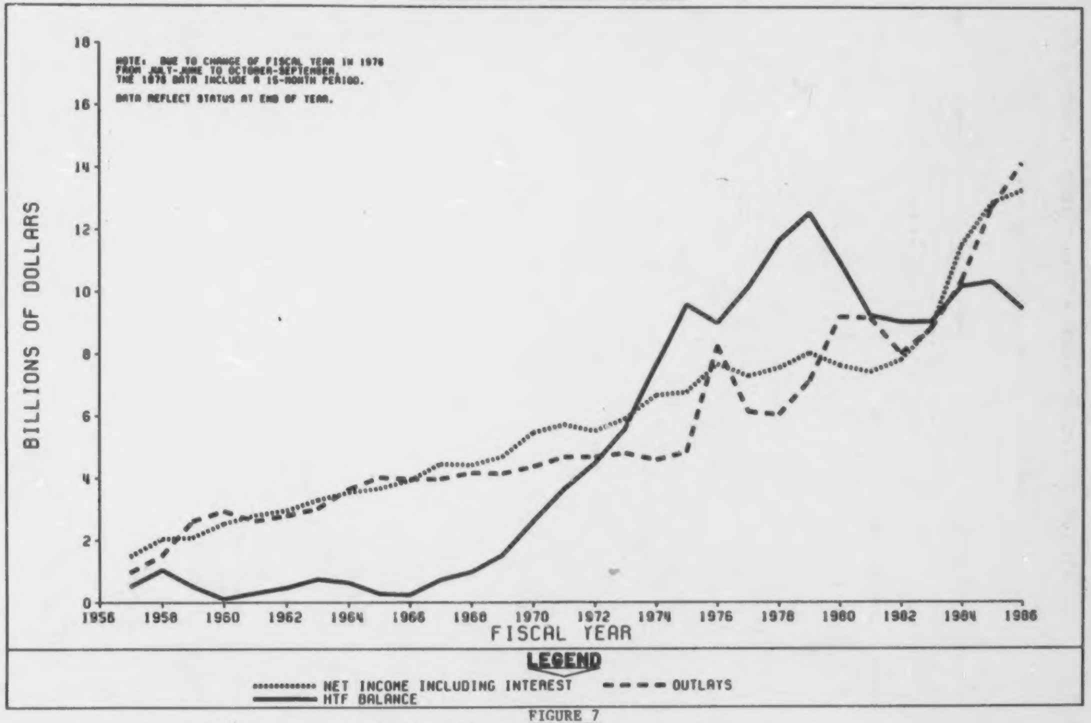


FIGURE 7

SOURCE: FHWA "Highway Statistics 1986" Publication page 44

AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

LENO MENGHINI, President
Superintendent and Chief Engineer
Wyoming Highway Department

FRANCIS B. FRANCOIS
Executive Director

April 4, 1988

Senator Quentin N. Burdick, Chairman
Committee on Environment and Public Works
SD-458 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

This is in response to your letter of March 11, 1988, to Mr. Leno Menghini, President of AASHTO, enclosing a number of questions in follow-up to his appearance before the Committee on behalf of AASHTO at your recent hearing on the fiscal year 1989 budget for the Federal Highway Administration.

The following are the Association's responses to the questions posed in your letter:

Senator Burdick's Questions

1. The Congressional Budget Office has examined the questions of how much highway spending is enough. By far the highest returns on investment appear to be in spending on 4-R needs where a return of about 40 percent was found. On other parts of the system, however, returns were lower. Can we make highway spending decisions largely on the basis of what the rate of return is on each investment?

Answer: No. While the rate of return on each investment should be taken into account, this should not be the only bench mark for determining highway spending. Any state's highway system has a number of components and programs, which are collectively required to provide adequate and safe highways. Investment in some components may yield a higher monetary return than others, but other investments may be important for safety or service reasons even though they do not yield a high return. The final decision on utilization of available funds should be left to the professional judgement of those state highway officials with overall responsibility for the highway system within their state, based on sound engineering and highway system management practices.

2. The National Council on Public Works Improvement just released its final report in which it recommends an increase of up to 100 percent in the amount of capital invested annually in new and existing public works. In your view, would that be a sensible and feasible level of spending for the Highway Program?

EXECUTIVE OFFICE: 444 N. Capitol Street, N.W., Suite 225 Washington D.C. 20001 Telephone (202) 624-5800

Answer: Given that the Federal-Aid Highway program is currently funded at a level of about $13 billion a year and that AASHTO and other organizations have identified requirements that if met would require a Federal-aid Highway program nearly twice this amount, it is evident that such a level of funding is reasonable and that the funds could all be put to good use in upgrading our highway networks on all levels, with special attention given to our bridge needs. It would appear that the Council's recommended level of funding may not be feasible at this time in view of the national debt situation, but as stated in AASHTO's testimony at the least all the funds in the Highway Trust Fund should be utilized.

3. Will Transportation 2020 study be able to address some of the tougher policy questions that often make it difficult for agreement to be reached here in Congress, such as formulas for the distribution of federal-aid highway funds?

Answer: It is our hope and intention to address such policy issues and to come forward with a suggested approach to meeting our future highway needs, including recommendations for the Federal, State, local government and private sector roles in the highway program. But it will be some time before we can evaluate the probability of our success in this area. We have been and will continue to keep the Committee's staff advised of progress in the Transportation 2020 effort.

4. I understand that a series of public forums is being held in each State in connection with the Transportation 2020 study. Will you also be holding forums for Indian tribal governments to present testimony on the reservation road program and other transportation concerns?

Answer: In establishing the various individual state forums, it was our hope that every interest within a given state would have the opportunity to be heard. Working with the Senator, the Bureau of Indian Affairs and others, a two day forum has been established on April 21 and 22 in Colorado, to receive testimony from the various tribal interests. Further, a forum for other Federal agencies has been set for April 15, in Washington. Information from both forums will be taken into account in the Transportation 2020 effort.

5. There is a large cash balance in the highway trust fund and it appears that additional revenues will be available with changes in the point of collection for motor fuel taxes. Why should it be necessary to reduce spending in the highway program?

Answer: In our opinion, highway spending should not be reduced. The monies in the Highway Trust Fund have been paid by the various highway users to be spent on the programs supported by the Fund, and should be spent for the purposes for which they were raised. It is a dedicated fund, which by statute can not be used for any other purpose.

Senator Mitchell's Questions

1. I have listened to you say that you believe the Highway Trust Fund should be taken "off-budget." Do you have any suggestions on how this Trust Fund can be taken off-budget without taking all the Trust Funds off-budget?

2. As you know, the Social Security Trust Fund is "off-budget", however, surpluses in the Trust Fund do partially offset the deficit. How would you propose taking the Highway Trust Fund off-budget so that it would not be treated similarly to the Social Security Trust Fund?

Answer: The Association is committed to taking the Highway Trust Fund off-budget, as is stated in our Policy Statement T-20, and Policy Resolutions PR-14-87 and JCR-4-87, all of which are found in the 1988 AASHTO "Transportation Policy Book." These presentations of AASHTO policy state the case for action taking the Fund off-budget, and copies are attached for convenience.

As to the statutory mechanism for taking the Highway Trust Fund off-budget without taking all the Trust Funds off-budget, and without allowing balances in the Highway Trust Fund to be used to offset the deficit, one approach might be to utilize legislative language like that proposed in 1985 by the Social Security Subcommittee of the House Committee on Way and Means for handling the Federal Old-Age and Survivor's Insurance Trust Fund and the Federal Disability Insurance Trust Fund (and related taxes), Section 301 of bill H.R.825. Adapting that language to the Highway Trust Fund, it would read:

> "The Highway Trust Fund shall not be included in the totals of the budget of the United States Government as submitted by the president or of the congressional budget and shall be exempt from any general budget limitations imposed by statute on expenditures and net lending (budget outlays) of the United States Government."

This language was not ultimately accepted by the Congress, but if it had been it would appear that the Social Security Trust Fund balance could not be employed in any way to offset the deficit. Bills have been presented in Congress addressed to taking the Highway Trust Fund off-budget, and the precise language employed is of course for Congress to select.

In discussions relative to taking the Highway Trust Fund off-budget, there are four unique characteristics of the Fund that should be kept in mind that distinguish it from other trust funds:

1. The programs supported by the Highway Trust Fund are not entitlement programs like Social Security. Instead, every dollar in outlays in the programs are first authorized by Congress.

2. The Highway Trust Fund is totally self-financed, and unlike the Social Security program does not receive general revenues.

3. The Byrd amendment protects the Highway Trust Fund from ever having a deficiency.

4. Since its inception the Highway Trust Fund has performed successfully, except for the build-up of the balance that prevents full usage of the dedicated revenues paid into the Fund by highway users.

On behalf of President Menghini and AASHTO, we are pleased to respond to the Committee's questions, and trust that the responses provided are satisfactory. If not, please do not hesitate to contact the undersigned.

Very truly yours,

Francis B. Francois
Executive Director

FBF:hs

cc: Leno Menghini

Removal of Trust Funds from the Unified Federal Budget

(October 13, 1985)

T20 AASHTO strongly recommends that the Congress remove transportation trust funds from the Unified Federal Budget.

We believe that it is inappropriate to subject dedicated trust fund revenues to the annual Congressional budget resolution processes of the Unified Federal Budget. Since the user fees included in trust funds are collected in advance of expenditures, these expenditures cannot contribute to the federal deficit. Programs funded through these dedicated funds thus should not be subjected to the expenditure ceilings used in the Unified Budget process to help reduce the deficit. When the user tax collections exceed the rates of expenditure, these ceilings unnecessarily limit the program improvements intended by the Congress when it established those trust funds, and expected by the users from whom the taxes are collected. Trust funded program levels are most apppropriately determined by the prgram needs and the level of user fees being collected to meet those needs.

Requesting Removal of Transportation Trust Funds from the Federal Unified Budget

(December 6, 1987)

PR14-87 WHEREAS, the American Association of State Highway and Transportation Officials (AASHTO) believes it is inappropriate to subject dedicated trust fund revenues to the annual Congressional budget resolution processes of the Unified Federal Budget since trust funds revenues are user fees collected in advance of expenditures; and

WHEREAS, the transportation user fee concept is a pay-as-you-go concept which does not contribute to the federal deficit; and
WHEREAS, the expenditure ceilings in the unified budget process imposed on transportation programs is an artificial ceiling which masks the true deficit producing no real deficit reduction benefit; and

WHEREAS, the nation's transportation infrastructure is being inadequately addressed due to artificial expenditure ceilings:

NOW, THEREFORE, BE IT RESOLVED, that AASHTO reaffirms current AASHTO policy and requests Congress to remove the Highway Trust Fund and the Airport and Airway Trust Fund from the Federal Unified Budget.

BE IT FURTHER RESOLVED, that the Chief Administrative Officers of the AASHTO member departments transmit a copy of this resolution to their Congressional delegates.

BE IT FURTHER RESOLVED, that this resolution be communicated to the U.S. Secretary of Transportation.

Transportation Programs and Unified Budget
(December 6, 1987)

JCR4-87 WHEREAS, the adoption of a unified federal budget that includes Federal-aid highway and Airport/Airways programs has resulted in disruption of state and federal programs that would benefit the total transportation system throughout the country; and

WHEREAS, needed improvements to highways, bridges and airports have been unnecessarily delayed resulting in needless property damage, injuries, and lost lives with tremendous total costs to our country.

THEREFORE BE IT RESOLVED THAT, the member organizations of the AASHTO-AGC-ARTBA Joint Committee petition the Congress to remove the transportation trust fund programs of the federal government (Highway Trust Fund, Airport/Airways Trust Fund, and Inland Waterways Trust Fund) from the Unified Budget of the United States Government; and

BE IT FURTHER RESOLVED THAT, the Congress should also discontinue the establishment of obligation limitations to control spending of the current $10.4 billion balance in the Highway Trust Fund.

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
1957 E Street, N.W. • Washington, D.C. 20006 • (202) 393-2040 • TELEX 279 354 AGC WSH
DANA HUESTIS, *President* JAMES W. SUPICA, *Senior Vice President* PAUL EMERICK, *Vice President*
F. THOMAS WESTCOTT, *Treasurer* HUBERT BEATTY, *Executive Vice President*

March 2, 1988

The Honorable Quentin Burdick
United States Senate
Washington, D.C. 20510

Dear Senator Burdick:

The Associated General Contractors of America is deeply concerned by the Administration's proposal to slash the EPA clean water budget by $900 million in fiscal year 1989. This proposal seriously threatens the ability of the nation to meet its current wastewater treatment needs and significantly undermines the effort to put into place the financial mechanisms to meet the nation's future wastewater treatment needs. AGC strongly urges your Committee to take the necessary actions to ensure that Congress rejects this proposal and fully funds the program at the authorized levels contained in the Water Quality Act of 1987.

It is not necessary to report to you or this committee on the success that the construction grants program has had over the past fifteen years in cleaning up the nation's waters. Despite this success, as you well know, there is still much to be done. However, with the serious budget deficit crisis that this country faces, it became apparent years ago to many of those involved in the clean water program that the federal government could no longer be counted on as the source of future funding.

This Committee set out to make the hard choices necessary to remove this program from federal responsibility and yet maintain a successful clean water program. The legislation which was finally enacted accomplished these two seemingly contradictory goals. The Water Quality Act set up reasonable and responsible funding levels which allowed for the gradual decrease in federal responsibility and the establishment of state revolving loan funds to meet the future needs. This was a move that was fully supported by AGC.

Fiscal year 1989 is the first critical year in this weaning process and already the program has been subject to two major assaults. The first assault came when EPA decided that, instead of paying capitalization grants as cash to the states to establish their revolving loan funds, EPA would instead make the payments as a letter of credit. The letters of credit, in lieu of cash, will serve as an effective deterrent to those local governments without replacement credit mechanisms. Additionally, this move effectively eliminates over $2 billion in clean water funding over the next seven years. The long term impact would be even more significant. These are funds that had been anticipated and counted on when support for this legislation was being garnered.

It is absolutely essential that these capitalization grants for the state revolving loan funds be paid up front to be effective.

The second assault is, of course, this budget proposal. Fiscal year 1989 marks the beginning of the end of the construction grants program and the beginning of the state revolving loan fund program. The Administration's budget request would reduce each of these two programs by more than thirty-seven percent, from $1.2 billion each, down to $750 million. These funding levels are totally inadequate for providing a smooth transition from a federal program to a state program. Without sufficient seed money to get the revolving loan funds off to a running start, it is questionable whether they can ultimately be successful.

The ramifications of an unsuccessful revolving loan fund program are significant. First, and foremost, clean water progress will be halted and may even be reversed. In addition, the lack of success by the loan funds could lead to an effort to once again involve the federal government in the funding of this program. Nobody wants either of these results to occur, but it is an all-too-real possibility if the loan funds are not given the chance to be successful by not being fully funded.

The clean water program has contributed significantly to the deficit reduction efforts over the past few years. The program funding has been cut nearly in half from what it was only eight years ago. In addition, in each of the past three fiscal years the authorized funding level has been cut significantly. Also, the movement of the program to revolving loan funds will have a significant, positive impact on deficit reduction.

Senator Burdick
Page Three
March 2, 1988

The National Council on Public Works Improvement last week released its report on the status of our nation's infrastructure. Wastewater treatment was only given a grade of C, and this despite the past level of commitment. To improve on this grade or even just to maintain this level, the clean water program must be fully funded. AGC pledges to work with this Committee to ensure that the fully authorized funding levels are appropriated this fiscal year and in each year until the program is completely transferred.

Sincerely,

Dana Huestis
President

cc: Senate Environment and Public Works Committee

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
1957 E Street, N.W. • Washington, D.C. 20006 • (202) 393-2040 • TELEX 279 354 AGC WSH
JAMES W. SUPICA, *President* PAUL EMERICK, *Senior Vice President* KIRK FORDICE, *Vice President*
RICHARD E. FORRESTEL, *Treasurer* HUBERT BEATTY, *Executive Vice President*

April 7, 1988

The Honorable Quentin Burdick
United States Senate
Committee on Environment and
Public Works
Washington, D.C. 20510-6175

Dear Chairman Burdick:

On behalf of the Associated General Contractors of America, it is my pleasure to respond to the written questions that were forwarded to me on March 11, 1988. Please find the responses enclosed.

AGC appreciates the opportunity to present testimony before your Committee at the recent hearing on the fiscal year 1989 budget for the Federal Highway Administration. As I begin my tenure as President of AGC, I look forward to working closely with you and the Committee on Environment and Public Works.

On a more personal note, it was a pleasure being with you and Mrs. Burdick at the Democratic National Dinner. Mr. Chairman, as always, you can count on AGC's strong support as you address the transportation needs of this great nation.

With best personal regards.

Sincerely,

Jim

Jim Supica
President

Enclosures

Question

1) I have listened to you say that you believe the Highway Trust Fund should be taken "off-budget". Do you have suggestions on how this Trust Fund can be taken off budget without taking all the Trust Funds off-budget?

Answer

1) Without knowing the entire array of Trust Funds currently within the unified budget, and the financing mechanism which each Trust Fund utilizes, this is a difficult question to answer precisely. AGC believes, however, that the Highway Trust Fund, and the other transportation trust funds are unique in that they finance capital investments, as opposed to one-time expenditures, and are solely supported by user fees. A reasonable distinction can be made that, as in corporate accounting where capital investments are reported differently than operating expenses, the transportation trust funds are unique and therefore should be treated differently than other federal spending and therefore taken out of the unified budget.

Question

2) As you know, the Social Security Trust Fund is "off-budget," however, surpluses in the Trust Fund do partially offset the deficit. How would you propose taking the Highway Trust Fund off-budget so that it would not be treated similarly to the Social Security Trust Fund?

Answer

2) Transportation trust funds and the Social Security Trust Fund are distinctly different types of funds. While both are trust funds, the Social Security trust fund is a system to provide income security for the elderly; Transportation Trust Funds are a financing mechanism for transportation capital investment. The Social Security Trust Fund balance might properly be large at this time in order to prepare to pay for the large future expected needs for aging America. Transportation needs, on the other hand, are pressing now. The funds were collected to meet present needs, not to bank roll for the future. In the future, without significant investment now, the problem with our nation's infrastructure may be beyond our ability to solve it. Since the Social Security and Transportation programs are quite different, a legislative solution could be drafted highlighting the difference in the programs and the need to treat capital investment trust funds differently from the Social Security entitlement program.

ARTBA
American Road & Transportation Builders Association

STATEMENT OF
THE AMERICAN ROAD AND TRANSPORTATION BUILDERS ASSOCIATION
BEFORE THE
SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE
100TH CONGRESS, SECOND SESSION
FEBRUARY 29, 1988

RELATING TO THE FY 1989 BUDGET
FOR THE FEDERAL HIGHWAY ADMINISTRATION
PRESENTED BY: DANIEL J. HANSON, SR., ARTBA PRESIDENT

Mr. Chairman and Members of the Committee:

My name is Daniel J. Hanson, Sr., and I am president of the American Road and Transportation Builders Association. ARTBA is a Washington, D.C.-based national federation of transportation construction interests. ARTBA has more than 4,000 members, including contractors, transportation safety industry representatives, equipment manufacturers and material suppliers, transportation planning and design firms, public transportation officials, and educators involved in transportation and civil engineering.

ARTBA is very pleased to have the opportunity to comment on the proposed Fiscal Year 1989 budget for the Federal Highway Administration. We commend this committee for having the foresight to examine this budget in detail, from a variety of perspectives, before action is initiated by the 100th Congress.

It is our hope that, by determining our nation's surface transportation needs for the coming year at this early date, the budget and appropriations process for FY 1989 will progress smoothly and in a timely fashion. We share with this committee and Congress the desire to see funding continue in an adequate and predictable manner. It is imperative that the federal-aid highway program is not left hanging on continuing resolutions after the start of the fiscal year, as unfortunately happened in FY 1988.

The Administration's Proposed FY 1989 Budget

ARTBA is extremely upset about the level of funding provided for the federal-aid highway program in the Administration's proposed FY 1989 budget. Under the *Surface Transportation and Uniform Relocation Assistance Act of 1987*, an annual authorization of up to $13.7 billion was provided for FY 1989. An obligation ceiling of $12.35 billion per year was provided through FY 1991. The latter figure does not include additional funding under the 85 Percent Minimum Allocation Program, the Emergency Relief Program or money for approved "demonstration projects."

ARTBA continues to strongly point out that this level of funding is far lower than that which could be supported by the Highway Trust Fund. Nevertheless, $12.35 billion was a fair starting point and succeeded in getting money back into the pipeline for much-needed construction and rehabilitation projects last year.

When Congress approved its FY 1988 omnibus spending package on December 22, 1987, the obligation limitation for the federal-aid highway program was further reduced by five percent, to $11.78 billion. This was devastating to the transportation construction industry. This cut was imposed solely for budget-balancing purposes and did not take into account that the highway program is supported by user fees and does not contribute one penny to the federal deficit.

For FY 1989, a bad situation has become even worse. The Administration's proposed budget would cut nearly $400 million more from the federal-aid highway program obligations, dropping the ceiling to $11.398 billion. An additional $933 million would be spent for the previously-mentioned exempt programs. If, during the appropriations process, Congress chooses to exempt other programs, it is likely that the obligation level will be reduced even further. This is a real horror story.

It has been indicated that the $400 million in proposed cuts would be spread uniformly throughout the federal-aid highway program. ARTBA strongly believes that the federal-aid highway program simply cannot tolerate any additional reductions in FY 1989.

Today more than 42 percent of our nation's bridges are classified as "structurally deficient or functionally obsolete." The Department of Transportation reported last year that it will take $54 billion over the next 10 years to bring all of the more than 240,000 substandard bridges up to an acceptable standard. Much of our highway system is reaching the end of its design life and will require substantial rehabilitative work. In addition, only if the funding in the 1987 Act is sustained can the entire 42,500-mile Interstate System be completed and open to traffic in the early 1990s. This list of needs signifies that there is absolutely nothing left to cut in the highway program.

Impact on U.S. Employment

In addition to the negative impact that additional program cuts will have on the state of our roads and bridges, reduced funding will have strong residual fallout on our nation's employment. The U.S. Department of Commerce estimates that for each one million dollars spent of road construction, 63 jobs are created directly and indirectly. Consequently, the proposed additional budget cuts will eliminate more than 25,000 jobs across the United States in FY 1989.

This would be a disastrous situation and a totally unnecessary one. There is more than enough money now sitting idle in the Highway Trust Fund to finance a federal-aid highway program of close to $15 billion per year. This money, already paid in good faith by motorists, has been allowed to accumulate and today, the "checkbook" balance in the Highway Trust Fund exceeds $9.3 billion.

This balance would be even higher if action was taken to eliminate the current six-cent-per-gallon tax exemption for alcohol-based motor fuels. The Federal Highway Administration estimates that this tax exemption reduces revenue to the trust fund by nearly $500 million per year. This is almost $100 million more than the proposed reduction in the highway program obligation limitation for FY 1989. ARTBA encourages this committee to take steps to close this loophole and make these funds available for highway construction and improvements.

ATAC III Estimate of Highway Capital Needs

ARTBA recognizes the great amount of capital investment that is needed to preserve and expand our surface transportation system. A report presented by the American Transportation Advisory Council (ATAC), representing over 60 transportation organizations, projected transportation capital needs during the period 1987-1996. This is the third report issued by the ATAC group, following earlier publications in 1977 and 1981.

The ATAC III report, *New Directions in Transportation*, estimates that the total 10-year highway needs will amount to $494 billion. About $54 billion will be required to replace and rehabilitate the numerous bridges in the U.S. that are classified as deficient or obsolete. Last year, a bridge collapsed or was taken out of service every other day. This is an extremely critical problem and one that takes an immediate toll in human lives, suffering and substantial economic loss.

If the proposed spending cap is placed on the overall highway program, ARTBA urges Congress to implement a special nationwide bridge replacement and rehabilitation program, financed at $2 billion per year through the Highway Trust Fund "checkbook" balance. This program would augment the current bridge funding of $1.6 billion per year included in P.L. 100-17.

The $494 billion ATAC III estimate is not a "best of all possible worlds" proposal. It simply reflects the money that will be needed just to maintain 1988 highway user needs. Let me request that this section of the ATAC III report, dealing with highway and bridge needs, be included in the record.

ARTBA acknowledges that the federal government cannot be expected to shoulder the full burden of all of these costs. Much of these capital expenditures have already been taken over by state and local governments. Howwever, as of 1987, the federal share of these costs have been reduced to a record low of 25 percent.

Transportation Secretary Jim Burnley has indicated that increasing privatization of some transportation sectors will be a goal of his department. ARTBA sees several excellent opportunities for this to happen. We also support the trend toward more flexibility in the co-mingling of toll revenues with federal funds for certain types of construction projects.

Defining the Federal Role

A strong federal role remains essential for our nation's major highway program. Our nation's road network has a replacement value of about $480 billion (in 1984 dollars), making it one of our country's greatest national assets. It is imperative that the necessary financial support be continued by the federal government to protect and preserve this vital investment.

ARTBA believes the federal role is to ensure that all major highways function effectively, efficiently and safely within the total transportation system. This role includes the development and promotion of standards and guidelines for highway design, maintenance and operation, in cooperation with the states, and the provision of financial, technical and research assistance.

State and local governments are the owners and managers of the highway system. They should take the lead in all matters which do not clearly fall within the area of federal responsibility. Within this context, ARTBA strongly opposes any proposals to turn back tax authority or responsibility for the overall highway program to the states.

Taking the Highway Trust Fund Off-Budget

In 1987, an amendment to the House's Airport/Airways Program Reauthorization Act proposed taking the Aviation Trust Fund off-budget. This amendment, which ARTBA strongly supported, was defeated by only a five-vote margin: 197-202. The close vote on this amendment indicates that there is growing support for such action. ARTBA maintains that the trust fund-supported programs -- highways, aviation and waterways -- should be taken out of the general budget and exempted from any additional budget cuts under the Gramm-Rudman-Hollings balanced budget law.

As long as the trust funds remain part of the federal budget process, there will be a continuing incentive for both the Administration and Congress to build up a surplus in the accounts that makes the federal budget deficit appear much smaller on paper than it actually is. This is a charade that should be ended now! By law, the money in these accounts is earmarked for construction, improvement and repair of these transportation systems and cannot legally be spent for any other purposes.

As of February 1988, the $9.3 billion balance in the Highway Trust Fund was accruing some $1.277 billion in interest annually at a 8 5/8 percent rate. This money sits idle and will never be spent if the Administration's proposed "deficit neutral" budget plan is adopted. In 1956, when Congress first approved legislation creating the Highway Trust Fund, it obviously did not intend to enter the banking business. The original legislation was approved to create a funding mechanism that would finance highway needs on a "pay as you go" basis. That system worked very well, indeed, until artificial spending limits started to be imposed.

The federal-aid highway program is self-supporting and does not contribute one penny to the federal deficit. Therefore, it is a violation of the trust fund's integrity to freeze the funds already collected and the interest they accrue. The needs are great and funding is currently available. ARTBA urges this committee to oppose any attempts by the Administration to impose further cuts on the highway program.

Mr. Chairman, let me thank you again for the opportunity to participate in this very important and timely hearing. At this time, I would be happy to answer any questions that you and any other members of the committee might have regarding my testimony, or other related issues.

Response to Senator Mitchell's Specific Questions
Prepared by ARTBA President Daniel J. Hanson, Sr.

(1) I have listened to you say that you believe the Highway Trust Fund should be taken "off-budget". Do you have suggestions on how this Trust fund can be taken off budget without taking all the Trust Funds off-budget?

(2) As you know, the Social Security Trust fund is "off-budget", however, surplusses in the Trust Fund do partially offset the deficit. How would you propose taking the Highway Trust Fund off-budget so that it would not be treated similarly to the Social Security Trust Fund?

1. The Highway Trust Fund should be taken "off-budget" because it does not contribute one single penny to the federal deficit. Each and every trust fund should be able to stand on its own merit. The Highway Trust Fund more than passes this test.

2. Taking the Highway Trust Fund "off-budget" should not be treated like the Social Security Trust Fund. There should be a legislative guarantee like that provided in the Byrd Amendment to protect the integrity of the Highway Trust Fund in future years. Any "check book" balances and interest accrued to the Highway Trust Fund must be reserved for the user fee purpose for which they were intended and the law provides.

DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

February 26, 1988

Dear Mr. Chairman:

Thank you for the opportunity to present testimony on the fiscal year 1989 budget for the Federal Highway Administration. Of the issues listed in your letter, only one would fall directly into Treasury's area of specialization. Issue number six covers the financial condition of the Highway Trust Fund. This is an area where Treasury has accounting responsibility for the Fund and investment of Fund balances. The three major Highway Trust Fund exemptions are the 6-cents-per-gallon gasohol tax, the exemptions for state and local governments (including mass transit), and exemptions for private buses. These are represented in Attachment 4.

We have discussed the request with Nadine Hamilton of your Committee staff and have agreed to provide written documentation on the financial condition of the Trust Fund. That documentation is provided as attachments to this letter.

Attachment 1 contains three schedules. The first represents an analysis of trust fund activities, covering receipts, expenditures, and year-end balances for each fiscal year; 1982 through 1987, and the first quarter of 1988. The second schedule presents a statement of financial condition, covering undisbursed funds, investments, and liabilities for the same periods. The third schedule provides a breakout of the Mass Transit Account for fiscal years 1984 through 1987. The breakout is not available prior to 1984.

Attachment 2 provides a schedule of projected excise taxes for the Highway Trust Fund and Highway Mass Transit Account for fiscal years 1988 through 1991. Attachment 3 provides a projected cash flow budget for fiscal year 1988.

If further information on the financial condition of the Trust Fund is needed, we would be happy to provide it.

Sincerely,

John K. Meagher
Assistant Secretary
(Legislative Affairs)

The Honorable Quentin N. Burdick
Chairman, Committee on Environment
and Public Works
United States Senate
Washington, D.C. 20510-6175

Attachments

SCHEDULE A

MASS TRANSIT ACCOUNT
DECEMBER 31,1987

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	$ 4,300,057,884.06	$ 4,202,056,029.61
II. RECEIPTS		
Excise Taxes Mass Transit Account (PL 94-424):		
Diesel & special mtr fuel	14,948,000.00	44,842,000.00
Gasoline:		
Gasoline	82,184,000.00	247,627,000.00
Gasohol	6,500,000.00	19,500,000.00
Gas floor stock	0.00	0.00
Total Tax Receipts	103,632,000.00	311,969,000.00
Interest on Investments	175,604,037.26	179,244,155.23
Net Receipts	279,236,037.26	491,213,155.23
III. EXPENDITURES		
Mass Transit	75,265,912.61	189,241,176.13
Total Expenditures	75,265,912.61	189,241,176.13
IV. BALANCE - END OF PERIOD	4,504,028,008.71	4,504,028,008.71

STATEMENT OF FINANCIAL CONDITION

ASSETS :		
UNDISBURSED BALANCES:		
Mass Transit	$ 1,352.04	
Mass Transit Transfer Account	-6,663,343.33	
		$ -6,661,991.29
INVESTMENTS		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS		
8-5/8% Maturing JUNE 30, 1988	$ 4,510,690,000.00	
		4,510,690,000.00
Total Assets		4,504,028,008.71
LIABILITIES		$ 0.00
EQUITY		
Excess of Assets Over Liabilities		4,504,028,008.71
Total Liabilities and Equity		4,504,028,008.71

ATTACHMENT 1

STATUS OF HIGHWAY TRUST FUND (1)
20X8102
DECEMBER 31,1987

		CURRENT MONTH	FISCAL YEAR TO DATE
I.	BALANCE - BEGINNING OF PERIOD	$ 13,311,250,704.24	$ 13,613,615,014.23
II.	RECEIPTS		
	Excise Taxes (Transferred from General Fund)		
	Trucks buses trailers;	0.00	-0.00
	Diesel & special motor fuels	237,621,751.00	686,035,751.00
	Tires used on hwy veh	31,040,969.00	75,706,969.00
	Repealed taxes (2)	368,701.00	368,701.00
	Use tax on cert vehicles	24,815,537.00	62,260,537.00
	Trucks	143,247,688.00	304,146,688.00
	Gasoline:		
	Gasoline	744,911,564.00	2,233,901,564.00
	Gasohol	19,500,000.00	58,500,000.00
	Gasoline floor stocks	0.00	0.00
	Fines and Penalties	0.00	960,723.06
	Less trans to land & water fnd	0.00	1,000,000.00
	Less trans to boat sfty fnd	8,575,000.00	24,726,000.00
	Total Tax Receipts	1,192,931,210.00	3,396,154,933.06
	Less Reimbursement to General Fund-Refunds of Taxes and Estimated Tax Credits		
	Gasoline used on farms	34,448,020.00	34,448,020.00
	Gasoline non hwy purposes	-31,479,100.00	-31,479,100.00
	Gasoline other	46,298,830.00	46,298,830.00
	Lubricating oils non hwy	0.00	0.00
	Fuel taxicab refunds	875,420.00	875,420.00
	Commercial fishing vessels	11,454,290.00	11,454,290.00
	Gasohol (tax paid gasoline)	666,290.00	666,290.00
	Aviation fuels - farms	1,744,370.00	1,744,370.00
	Diesel fuels	327,710.00	327,710.00
	Gas/diesel/alcohol mixtures	632,000.00	632,000.00
	Total Reimbursement for Tax Refunds	64,967,830.00	64,967,830.00
	Net Tax Receipts	1,127,963,380.00	3,331,187,103.06
	Interest on investments	466,441,155.15	523,038,793.05
	Miscellaneous interest	0.00	0.00
	Net Receipts	1,594,404,535.15	3,854,225,896.11

(1) Includes Mass Transit Account (See Schedule A)
(2) Includes Parts & Acc, Inner Tubes, Tread Rubber, Lub Oils

III. EXPENDITURES		
Federal aid to highways	1,236,237,264.44	3,653,799,121.01
Right of way rev fnd	6,311,541.14	3,092,109.99
Trust fund share-hwy progs	0.00	430,688.00
Natl hwy traf sfty prog	9,115,181.90	30,810,377.28
Baltimore Wash pkwy	257,575.39	570,964.92
Highway safety r&d	0.00	1,221,168.49
Overseas Highway	-204,204.10	-204,204.10
Highland scenic hwy-for serv	0.00	0.00
Accelertion of projects	0.00	56.52
Hwy related safety grts	530,767.20	1,044,156.28
Highland scenic hwy-for serv	0.00	850,571.89
Intermodal urban demo projs	0.00	787.74
Traffic control signal demo	260.00	10,352.00
Bicycle programs	100.00	100.00
Carpool & vanpool grnts	1,160.14	29,322.89
Ntl pk serv const	1,043,814.43	2,571,748.04
Mass Transit	75,265,912.61	189,241,176.13
Motor Carrier Safety Grants	2,220,862.18	7,576,845.74
Safety Econ Dev Demo Project	716,564.00	1,992,501.00
Safety Improvement	130,070.45	774,696.91
Total Expenditures	1,331,626,869.78	3,893,812,540.73
IV. BALANCE - END OF PERIOD	13,574,028,369.61	13,574,028,369.61

STATEMENT OF FINANCIAL CONDITION

ASSETS :		
UNDISBURSED FUNDS		
Highway trust fnd (20X8102)	2,597.21	
Fed Aid to Hwy Act 1956	162,337,503.58	
Right of way rev fnd	18,721,097.78	
Tr fnd share of hwy progs	5,619,103.84	
Ntl hwy traff sfty adm	13,385,870.39	
Balto Wash pkwy	-323,540.64	
Hwy safety r&d	9,833,872.38	
Overses hwy	430,323.10	
Highland scenic hwy forest serv	0.00	
Acceleration of projects	494,932.54	
Hwy related safety grts	3,485,823.75	
Highland scenic hwy	0.00	
Intermodal urban demos	208,007.83	
Traffic control sig demo	1,115,352.78	
Bicycle programs	200,834.19	
Carpool and vanpool grts	295,424.81	
Ntl pk serv const	2,142,757.36	
Mass Transit Transfer Account	-6,663,343.33	
Motor Carrier Safety Grants	5,839,134.67	
Safety Econ Dev Demo Project	302,372.00	
Safety Improvement	519,245.37	
		$ 217,947,369.61
INVESTMENTS		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS		
8-5/8% Matures JUNE 30, 1988	$ 13,356,081,000.00	
		$ 13,356,081,000.00
Total Assets		13,574,028,369.61
LIABILITIES:		
Repayable Advances to the General Fund		$ 0.00
EQUITY:		
Excess of Assets Over Liabilities		13,574,028,369.61
Total Liabilities and Equity		13,574,028,369.61

Financial Management Service
Finance Division
Funds Accounting Branch
Date :

1 1 [illegible]

STATUS OF HIGHWAY TRUST FUND (1)
20X8102
SEPTEMBER 30,1987

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	$ 13,964,902,275.31	$ 12,772,866,074.54
II. RECEIPTS		
Excise Taxes (Transferred from General Fund)		
Trucks buses trailers;	0.00	-87,835,972.00
Diesel & special motor fuels	263,712,544.00	2,810,977,321.00
Tires used on hwy veh	22,267,645.00	291,668,875.00
Inner tubes	0.00	-1,784.00
Tread rubber	-5,338.00	-84,237.00
Use tax on cert vehicles	134,876,227.00	620,196,652.00
Parts & acc for trucks buses	552,636.00	-430,855.50
Lubricating oils	0.00	47,252.50
Trucks	-74,927,245.00	811,566,755.00
Gasoline:		
Gasoline	772,076,802.00	8,613,027,622.00
Gasohol	19,500,000.00	197,616,000.00
Gasoline floor stocks	0.00	0.00
Fines and Penalties	0.00	1,656,890.50
Less trans to land & water fnd	0.00	1,000,000.00
Less trans to boat sfty fnd	8,575,000.00	98,162,000.00
Total Tax Receipts	1,129,478,271.00	13,159,242,519.50
Less Reimbursement to General Fund-Refunds of Taxes and Estimated Tax Credits		
Gasoline used on farms	0.00	27,679,000.00
Gasoline non hwy purposes	0.00	1,579,480.00
Gasoline other	0.00	80,101,260.00
Lubricating oils non hwy	0.00	0.00
Fuel taxicab refunds	0.00	-1,599,210.00
Commercial fishing vessels	0.00	9,596,670.00
Gasohol (tax paid gasoline)	0.00	614,690.00
Aviation fuels - farms	0.00	1,734,000.00
Diesel fuels	0.00	6,684,500.00
Gas/diesel/alcohol mixtures	0.00	495,910.00
Total Reimbursement for Tax Refunds	0.00	126,886,300.00
Net Tax Receipts	1,129,478,271.00	13,032,356,219.50
Interest on investments	36,859,090.09	1,277,764,683.49
Miscellaneous interest	0.00	0.00
Net Receipts	1,166,337,361.09	14,310,120,902.99

(1) Includes Mass Transit Account (See Schedule A)

SCHEDULE A

MASS TRANSIT ACCOUNT
SEPTEMBER 30,1987

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	$ 4,209,081,275.43	$ 3,286,876,596.06
II. RECEIPTS		
Excise Taxes Mass Transit Account (PL 94-424):		
Diesel & special mtr fuel	15,387,000.00	182,895,000.00
Gasoline:		
Gasoline	81,938,000.00	988,133,000.00
Gasohol	6,500,000.00	67,830,000.00
Gas floor stock	0.00	0.00
Total Tax Receipts	103,825,000.00	1,238,858,000.00
Interest on Investments	2,321,806.88	343,855,189.14
Net Receipts	106,146,806.88	1,582,713,189.14
III. EXPENDITURES		
Mass Transit	113,172,052.70	667,533,755.59
Total Expenditures	113,172,052.70	667,533,755.59
IV. BALANCE - END OF PERIOD	4,202,056,029.61	4,202,056,029.61

STATEMENT OF FINANCIAL CONDITION

ASSETS :		
UNDISBURSED BALANCES:		
Mass Transit	$ 196.81	
Mass Transit Transfer Account	$ 7,577,832.80	
		$ 7,578,029.61
INVESTMENTS		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS		
8-5/8% Maturing JUNE 30, 1988	$ 4,194,478,000.00	
		4,194,478,000.00
Total Assets		4,202,056,029.61
LIABILITIES		$ 0.00
EQUITY		
Excess of Assets Over Liabilities		4,202,056,029.61
Total Liabilities and Equity		4,202,056,029.61

STATEMENT OF FINANCIAL CONDITION

ASSETS :		
UNDISBURSED FUNDS		
Highway trust fnd (20X8102)	546.10	
Fed Aid to Hwy Act 1956	875,136,624.59	
Right of way rev fnd	21,813,207.77	
Tr fnd share of hwy progs	2,049,791.84	
Ntl hwy traff sfty adm	2,980,102.67	
Balto Wash pkwy	247,424.28	
Hwy safety r&d	1,055,040.87	
Overses hwy	226,119.00	
Highland scenic hwy forest serv	0.00	
Acceleration of projects	494,989.06	
Hwy related safety grts	2,822,851.92	
Highland scenic hwy	0.00	
Intermodal urban demos	208,795.57	
Traffic control sig demo	1,125,704.78	
Bicycle programs	200,934.19	
Carpool and vanpool grts	324,747.70	
Ntl pk serv const	1,714,505.40	
Mass Transit Transfer Account	7,577,832.80	
Motor Carrier Safety Grants	4,215,980.41	
Safety Econ Dev Demo Project	-294,873.00	
Safety Improvement	193,942.28	
		$ 922,094,268.23
INVESTMENTS		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS		
8-5/8% Matures June 30, 1988	$ 12,690,931,000.00	
		$ 12,690.931,000.00
Total Assets		13,613,025,268.23
LIABILITIES:		
Repayable Advances to the General Fund		$ 0.00
EQUITY:		
Excess of Assets Over Liabilities		13,613,025,268.23
Total Liabilities and Equity		13,613,025,268.23

Financial Management Service
Finance Division
Trust/Funds Branch
Date : 04 DEC 1987

III. EXPENDITURES		
Federal aid to highways	1,367,107,620.61	12,614,065,162.53
Right of way rev fnd	-2,548,364.27	-26,899,198.87
Trust fund share-hwy progs	1,842,759.56	10,253,752.19
Natl hwy traf sfty prog	29,366,536.71	148,138,136.53
Baltimore Wash pkwy	6,527.23	201,584.49
Highway safety r&d	4,168,531.95	7,496,022.43
Overseas Highway	0.00	362,200.00
Highland scenic hwy-for serv	0.00	0.00
Accelertion of projects	838.41	8,414.61
Hwy related safety grts	727,591.41	9,049,578.78
Highland scenic hwy-for serv	0.00	0.00
Intermodal urban demo projs	888.21	239,948.13
Traffic control signal demo	-24,154.04	26,859.84
Bicycle programs	14,196.00	40,932.47
Carpool & vanpool grnts	4,455.98	73,759.86
Ntl pk serv const	851,624.43	12,127,166.18
Mass Transit	113,172,052.70	667,533,755.59
Motor Carrier Safety Grants	2,622,332.56	26,342,703.82
Safety Econ Dev Demo Project	105,127.00	105,127.00
Safety Improvement	206,057.72	206,057.72
Total Expenditures	1,517,624,622.17	13,469,371,963.30
IV. BALANCE - END OF PERIOD	13,613,615,014.23	13,613,615,014.23

STATUS OF HIGHWAY TRUST FUND (1)
20X8102
SEPTEMBER 30,1986

		CURRENT MONTH	FISCAL YEAR TO DATE
I.	BALANCE - BEGINNING OF PERIOD	$ 12,899,314,154.77	$ 12,884,806,420.95
II.	RECEIPTS		
	Excise Taxes (Transferred from General Fund)		
	Trucks buses trailers;	-76,794,358.00	-37,731,425.00
	Diesel & special motor fuels	251,680,185.00	2,667,358,207.00
	Tires used on hwy vehicles	25,670,227.00	319,544,836.00
	Inner tubes	835,787.00	685,746.00
	Tread rubber	-10,200.00	-237,569.41
	Use tax on certain vehicles	129,843,580.00	532,790,783.00
	Parts/& acces for trucks buses	-398,390.00	756,969.00
	Lubricating oils	63,294.00	-622,119.00
	Trucks	99,740,000.00	1,182,191,000.00
	Gasoline:		
	Gasoline	1,265,284,056.00	8,758,703,009.00
	Gasohol	19,998,000.00	217,250,000.00
	Gasoline floor stocks	0.00	0.00
	Fines and Penalties	779,669.76	3,304,152.69
	Less transf to land & water fnd	0.00	-1,000,000.00
	Less transf to aquatic resources	-6,247,000.00	-69,301,000.00
	Total Tax Receipts	1,710,444,850.76	13,573,692,589.28
	Less Reimbursement to General Fund-Refunds of Taxes and Estimated Tax Credits		
	Gasoline used on farms	0.00	170,587,540.00
	Gasoline non hwy purposes	0.00	-67,566,290.00
	Gasoline other	0.00	66,309,810.00
	Lubricating oils non hwy	0.00	0.00
	Fuel taxicab refunds	0.00	1,754,870.00
	Commercial fishing vessels	0.00	7,628,600.00
	Gasohol (tax paid gasoline)	0.00	930,120.00
	Aviation fuels - farms	0.00	1,915,530.00
	Diesel fuels	0.00	26,360,850.00
	Gas/diesel/alcohol mixtures	0.00	1,702,320.00
	Total Reimbursement for Tax Refunds	0.00	209,623,350.00
	Net Tax Receipts	1,710,444,850.76	13,364,069,239.28
	Interest on investments	21,992,723.56	1,336,912,212.78
	Miscellaneous interest	0.00	0.00
	Net Receipts	1,732,437,574.32	14,700,981,452.06

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(1) Includes Mass Transit Account (See Schedule A)

STATEMENT OF FINANCIAL CONDITION

ASSETS :		
UNDISBURSED FUNDS		
Highway trust fnd (20X8102)	491,249,610.49	
Fed Aid to Hwy Act 1956	737,286,787.12	
Right of way rev fnd	914,008.90	
Tr fnd share of hwy progs	-996,455.97	
Ntl hwy traff sfty adm	6,845,958.20	
Balto Wash pkwy	249,008.77	
Hwy safety r&d	1,551,063.30	
Overses hwy	188,319.00	
Highland scenic hwy forest serv	0.00	
Acceleration of projects	503,403.67	
Hwy related safety grts	2,334,430.70	
Highland scenic hwy	0.00	
Intermodal urban demos	248,743.70	
Traffic control sig demo	1,059,159.24	
Bicycle programs	301,585.66	
Carpool and vanpool grts	398,507.56	
Ntl pk serv const	1,011,671.58	
Mass Transit Transfer Account	29,373,588.39	
Motor Carrier Safety Grants	1,058,684.23	
		$ 1,273,578,074.54
INVESTMENTS		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS		
9-1/4% Matures JUNE 30, 1987	$ 78,517,000.00	
9-3/8% Matures JUNE 30, 1987	48,614,000.00	
9-1/2% Matures JUNE 30, 1987	83,908,000.00	
9-3/4% Matures JUNE 30, 1987	11,288,249,000.00	
		$ 11,499,288,000.00
Total Assets		12,772,866,074.54
LIABILITIES:		
Repayable Advances to the General Fund		$ 0.00
EQUITY:		
Excess of Assets Over Liabilities		12,772,866,074.54
Total Liabilities and Equity		12,772,866,074.54

Financial Management Service
Finance Division
Trust/Funds Branch
Date : DEC 08 1986

III. EXPENDITURES		
Federal aid to highways	1,798,244,177.76	13,951,327,236.94
Right of way rev fnd	2,595,480.17	15,534,339.09
Trust fund share-hwy progs	1,966,488.36	10,178,213.38
Natl hwy traf sfty prog	20,874,811.65	159,380,753.02
Baltimore Wash pkwy	79.44	-3,863.13
Highway safety r&d	545,920.89	8,122,658.73
Overseas Highway	15,540.00	735,868.00
Highland scenic hwy-for serv	0.00	31,616.56
Accelertion of projects	95.77	1,734.12
Hwy related safety grts	1,213,024.50	10,804,192.67
Highland scenic hwy-for serv	0.00	0.00
Intermodal urban demo projs	643.07	106,171.04
Traffic control signal demo	-8,998.12	552,389.31
Bicycle programs	6,378.96	105,018.52
Carpool & vanpool grnts	52,639.00	256,799.58
Ntl pk serv const	1,948,545.30	9,627,413.14
Mass Transit	30,369,951.64	632,562,711.37
Motor Carrier Safety Grants	1,060,876.16	13,598,545.63
Total Expenditures	1,858,885,654.55	14,812,921,798.47
IV. BALANCE - END OF PERIOD	12,772,866,074.54	12,772,866,074.54

SCHEDULE A

MASS TRANSIT ACCOUNT
SEPTEMBER 30,1986

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	$ 3,223,331,168.26	$ 2,524,016,232.56
II. RECEIPTS		
Excise Taxes Mass Transit Account (PL 94-424):		
Diesel fuel $ Spec motor fuel	15,859,000.00	188,072,000.00
Gasoline:		
Gasoline	71,180,000.00	852,855,000.00
Gasohol	6,666,000.00	71,727,000.00
Gasoline floor stock	0.00	0.00
Total Tax Receipts	93,705,000.00	1,112,654,000.00
Interest on Investments	210,379.44	282,769,075.37
Net Receipts	93,915,379.44	1,395,423,075.37
III. EXPENDITURES		
Mass Transit	30,369,951.64	632,562,711.87
Total Expenditures	30,369,951.64	632,562,711.87
IV. BALANCE - END OF PERIOD	3,286,876,596.06	3,286,876,596.06

STATEMENT OF FINANCIAL CONDITION

ASSETS :		
UNDISBURSED BALANCES:		
Mass Transit	$ -14,261,992.33	
Mass Transit Transfer Account	$ 29,373,588.39	
		$ 15,111,596.06
INVESTMENTS		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS		
9-1/4% Maturing JUNE 30, 1987	$ 63,917,000.00	
9-3/8% Maturing JUNE 30, 1987	48,614,000.00	
9-1/2% Maturing JUNE 30, 1987	83,908,000.00	
9-3/4% Maturing JUNE 30, 1987	3,075,326,000.00	
		3,271,765,000.00
Total Assets		3,286,876,596.06
LIABILITIES		$ 0.00
EQUITY		
Excess of Assets Over Liabilities		3,286,876,596.06
Total Liabilities and Equity		3,286,876,596.06

STATUS OF HIGHWAY TRUST FUND (1)
20X8102
SEPTEMBER 30,1985

		CURRENT MONTH	FISCAL YEAR TO DATE
I.	BALANCE - BEGINNING OF PERIOD	$ 13,040,487,485.80	$ 11,821,541,927.69
II.	RECEIPTS		
	Excise Taxes (Transferred from General Fund)		
	Trucks buses trailers;	55,978,645.00	207,036,720.00
	Diesel & special motor fuels	219,148,157.00	2,558,614,545.00
	Tires used on hwy vehicles	31,558,791.00	223,650,891.00
	Inner tubes	-188,275.00	-860,528.00
	Tread rubber	-69,993.00	-780,953.00
	Use tax on certain vehicles	138,800,693.00	378,591,528.00
	Parts/& acces for trucks buses	3,743,794.00	965,343.00
	Lubricating oils	-121,973.00	-89,692.00
	Trucks	94,832,000.00	1,188,669,707.00
	Gasoline:		
	Gasoline	893,805,856.00	8,781,579,991.00
	Gasohol	16,800,000.00	170,922,000.00
	Gasoline floor stocks	0.00	0.00
	Less transf to land & water fnd	0.00	1,000,000.00
	Less transf to aquatic resources	5,981,000.00	65,882,000.00
	Total Tax Receipts	1,448,306,695.00	13,441,417,552.00
	Less Reimbursement to General Fund-Refunds of Taxes and Estimated Tax Credits		
	Gasoline used on farms	167,207,060.00	206,320,857.00
	Gasoline non hwy purposes	4,075,850.00	-2,100,414.00
	Gasoline other	645,460.00	16,845,460.00
	Lubricating oils non hwy	5,242,000.00	9,656,890.00
	Fuel taxicab refunds	1,214,720.00	3,169,911.00
	Commercial fishing vessels	11,975,800.00	18,220,781.00
	Gasohol (tax paid gasoline)	6,518,960.00	8,636,906.00
	Aviation fuels - farms	87,330.00	1,521,053.00
	Diesel fuels	10,930.00	165,410,930.00
	Gas/diesel/alcohol mixtures	0.00	0.00
	Total Reimbursement for Tax Refunds	196,978,110.00	427,682,374.00
	Net Tax Receipts	1,251,328,585.00	13,013,735,178.00
	Interest on investments	26,391,006.56	1,312,676,940.67
	Miscellaneous interest	0.00	0.00
	Net Receipts	1,277,719,591.56	14,326,412,118.67

(1) Includes Mass Transit Account (See Schedule A)

III. EXPENDITURES		
Federal aid to highways	1,392,997,794.44	12,584,323,168.64
Right of way rev fnd	-2,942,794.44	-15,099,290.94
Trust fund share-hwy progs	7,891,415.13	10,152,065.60
Natl hwy traf sfty prog	15,136,161.54	141,162,835.78
Baltimore Wash pkwy	82.10	82.10
Highway safety r&d	4,243,590.18	9,749,620.11
Overseas Highway	36,572.00	344,579.00
Highland scenic hwy-for serv	0.00	0.00
Accelertion of projects	0.00	11,325.28
Hwy related safety grts	965,983.95	11,547,861.14
Highland scenic hwy-for serv	0.00	0.00
Intermodal urban demo projs	569.55	45,159.17
Traffic control signal demo	77,820.25	207,714.17
Bicycle programs	0.00	146,403.34
Carpool & vanpool grnts	30,230.35	897,638.59
Ntl pk serv const	717,524.96	3,588,445.21
Mass Transit	13,120,146.40	506,998,499.62
Motor Carrier Safety Grants	1,125,560.00	9,071,518.60
Total Expenditures	1,433,400,656.41	13,263,147,625.41
IV. BALANCE - END OF PERIOD	12,884,806,420.95	12,884,806,420.95

STATEMENT OF FINANCIAL CONDITION

ASSETS :		
UNDISBURSED FUNDS		
Highway trust fnd (20X8102)	1,015.29 1/	
Fed Aid to Hwy Act 1956	877,614,024.06	
Right of way rev fnd	39,448,347.99	
Tr fnd share of hwy progs	3,681,757.41	
Ntl hwy traff sfty adm	2,562,980.22	
Balto Wash pkwy	245,145.64	
Hwy safety r&d	2,673,722.03	
Overses hwy	760,759.00	
Highland scenic hwy forest serv	31,616.56	
Acceleration of projects	468,565.79	
Hwy related safety grts	138,623.37	
Highland scenic hwy	-0.00	
Intermodal urban demos	154,914.74	
Traffic control sig demo	1,629,084.57	
Bicycle programs	449,284.42	
Carpool and vanpool grts	959,965.02	
Ntl pk serv const	4,639,084.72	
Mass Transit Transfer Account	3,674,300.26	
Motor Carrier Safety Grants	3,257,229.86	
		$ 942,390,420.95
INVESTMENTS		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS		
10-3/4% Matures JUNE 30, 1985	$ 11,756,505,000.00	
10-5/8% Matures JUNE 30, 1985	51,546,000.00	
10-1/2% Matures JUNE 30, 1985	49,762,000.00	
10-3/8% Matures JUNE 30, 1985	84,603,000.00	
		$ 11,942,416,000.00
Total Assets		12,884,806,420.95
LIABILITIES:		
Repayable Advances to the General Fund		$ 0.00
EQUITY:		
Excess of Assets Over Liabilities		12,884,806,420.95
Total Liabilities and Equity		12,884,806,420.95

Financial Management Service
Finance Division
Trust/Funds Branch
Date : NOV 6 1985

1/ Does not agree with 6653 due to error in reporting by agency

SCHEDULE A

MASS TRANSIT ACCOUNT
SEPTEMBER 30,1985

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	$ 2,434,032,820.51	$ 1,611,049,204.25
II. RECEIPTS		
Excise Taxes Mass Transit Account (PL 94-424):		
Diesel fuel $ Spec motor fuel	14,426,000.00	168,357,000.00
Gasoline:		
Gasoline	83,010,000.00	998,266,000.00
Gasohol	5,600,000.00	47,117,000.00
Gasoline floor stock	0.00	0.00
Total Tax Receipts	103,036,000.00	1,213,740,000.00
Interest on Investments	67,558.45	206,225,527.93
Net Receipts	103,103,558.45	1,419,965,527.93
III. EXPENDITURES		
Mass Transit	13,120,146.40	506,998,499.62
Total Expenditures	13,120,146.40	506,998,499.62
IV. BALANCE - END OF PERIOD	2,524,016,232.56	2,524,016,232.56

STATEMENT OF FINANCIAL CONDITION

ASSETS :		
UNDISBURSED BALANCES:		
Mass Transit	$ 932.30	
Mass Transit Transfer Account	$ 3,674,300.26	
		$ 3,675,232.56
INVESTMENTS		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS		
10-3/4% Maturing JUNE 30, 1986	$ 2,334,430,000.00	
10-5/8% Maturing JUNE 30, 1986	51,546,000.00	
10-1/2% Maturing JUNE 30 1986	49,762,000.00	
10-3/8% Maturing JUNE 30, 1986	84,603,000.00	
		2,520,341,000.00
Total Assets		2,524,016,232.56
LIABILITIES		$ 0.00
EQUITY		
Excess of Assets Over Liabilities		2,524,016,232.56
Total Liabilities and Equity		2,524,016,232.56

STATUS OF HIGHWAY TRUST FUND (1)
20X8102
SEPTEMBER 30,1984

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	11,796,823,154.50	9,580,676,893.48
II. RECEIPTS		
Excise Taxes (Transferred from General Fund)		
Trucks buses trailers;	0.00	2,350,803.00
Diesel & special motor fuels	199,134,000.00	1,630,227,597.00
Tires used on hwy veh	15,665,000.00	319,747,257.00
Inner tubes	0.00	8,052,049.00
Tread rubber	0.00	3,800,744.00
Use tax on cert vehicles	42,600,000.00	179,665,220.00
Parts & acc for trucks buses	0.00	-28,359,147.00
Lubricating oils	0.00	-3,786,132.00
Trucks	78,692,000.00	862,472,730.00
Gasoline:		
Gasoline	803,037,000.00	8,824,649,114.00
Gasohol	26,615,000.00 2/	154,465,000.00
Gasoline floor stocks	-12,288,000.00 2/	0.00
Less trans to land & water fnd	0.00	56,241,000.00
Less trans to Ntl Boat Sfty fnd	0.00	12,500,000.00
Total Tax Receipts	1,153,455,000.00	11,884,544,235.00
Less Reimbursement to General Fund-Refunds of Taxes and Estimated Tax Credits		
Gasoline used on farm	0.00	-104,973,801.00
Gasoline non hwy purposes	0.00	-5,053,928.00
Gasoline other	0.00	-16,200,000.00
Lubricating oils non hwy	0.00	-6,369,089.00
Fuel taxicab refunds	0.00	4,792,523.00
Commercial fishing vessels	0.00	2,219,199.00
Gasohol (tax paid gasoline)	0.00	2,224,297.00
Aviation fuels - farms	0.00	-87,396.00
Total Reimbursement for Tax Refunds	0.00	141,920,233.00
Net Tax Receipts	1,153,455,000.00	11,742,624,002.00
Interest on investments	49,353,909.30	1,115,675,343.53
Miscellaneous interest	0.00	0.00
Net Receipts	1,202,808,909.30	12,858,299,345.53

1/ Reclassification of taxes in the amount of $18,392,000.00 for August 1984.

2/ Reclassification of Taxes in the amount of $12,288,000.00 for August 1984.

III. EXPENDITURES		
Federal aid to highways	1,147,345,620.28	10,226,763,549.62
Right of way rev fnd	-17,151,528.94	-17,802,618.95
Trust fund share-hwy progs	10,057,655.16	10,154,002.16
Natl hwy traf sfty prog	19,000,000.00	140,042,339.10
Baltimore Wash pkwy	0.00	16,803.94
Highway safety r&d	0.00	8,422,489.70
Overseas Highway	0.00	137,261.00
Highland scenic hwy-for serv	0.00	0.00
Accelertion of projects	1,500.00	151,413.84
Hwy related safety grts	995,929.89	12,169,434.67
Highland scenic hwy-for serv	0.00	4.32
Intermodal urban demo projs	626.53	114,041.60
Traffic control signal demo	-953.90	-46,332.34
Bicycle programs	104,709.19	104,709.19
Carpool & vanpool grnts	-8,130.85	1,174,085.10
Ntl pk serv const	127,598.93	1,166,139.93
Mass Transit expenses	17,011,197.99	233,195,736.90
Motor Carrier Safety Grants	605,919.93	1,671,251.54
Total Expenditures	1,178,090,136.11	10,617,434,311.32
IV. BALANCE - END OF PERIOD	11,821,541,927.69	11,821,541,927.69

STATEMENT OF FINANCIAL CONDITION

ASSETS :		
UNDISBURSED FUNDS		
Highway trust fnd (20X8102)	665.96	
Fed Aid to Hwy Act 1956	932,837,192.70	
Right of way rev fnd	24,349,057.05	
Tr fnd share of hwy progs	3,833,823.01	
Ntl hwy traff sfty adm	0.00	
Balto Wash pkwy	245,227.74	
Hwy safety r&d	423,342.14	
Overses hwy	568,766.00	
Highland scenic hwy forest serv	31,616.56	
Acceleration of projects	516,463.07	
Hwy related safety grts	1,586,484.51	
Highland scenic hwy	-0.00	
Intermodal urban demos	200,073.91	
Traffic control sig demo	1,940,314.91	
Bicycle programs	638,584.85	
Carpool and vanpool grts	1,414,237.01	
Ntl pk serv const	3,227,529.93	
Transfer Account	8,172,799.88	
Motor Carrier Safety Grants	1,328,748.46	
		981,314,927.69
INVESTMENTS		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS		
11-1/4% June 30, 1985	1,153,479,000.00	
11-1/8% June 30, 1985	9,664,305,000.00	
11 % June 30, 1985	22,443,000.00	10,840,227,000.00
Total Assets		11,821,541,927.69
LIABILITIES :		
REPAYABLE ADVANCES TO THE GENERAL FUND		0.00
EQUITY		
Excess of Assets Over Liabilities		11,821,541,927.69
Total Liabilities and Equity		11,821,541,927.69

(1) Includes Mass Transit Account (See Schedule A)

Financial Management Service
Finance Division
Trust/Funds Branch
Date : NOV 27 1984

MASS TRANSIT ACCOUNT
SEPTEMBER 30,1984

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	1,520,924,874.54	519,059,366.95
II. RECEIPTS		
Excise Taxes Mass Transit Account (PL 94-424):		
Diesel fuel & Spec motor fuel	15,776,000.00	160,164,000.00
Gasoline:		
Gasoline	89,226,000.00	1,058,698,000.00
Gasohol	1,592,000.00	17,183,000.00
Gasoline floor stock	0.00	0.00
Total Tax Receipts	106,594,000.00	1,236,045,000.00
Interest on Investments	541,527.60	89,140,574.20
Net Receipts	107,135,527.60	1,325,185,574.20
III. EXPENDITURES		
Mass Transit expenses	17,011,197.89	233,195,736.90
Total Expenditures	17,011,197.89	233,195,736.90
IV. BALANCE - END OF PERIOD	1,611,049,204.25	1,611,049,204.25

STATEMENT OF FINANCIAL CONDITION

ASSETS :		
UNDISBURSED BALANCES:		
Mass Transit Account	404.37	
Transfer Account	8,172,799.88	
		8,173,204.25
INVESTMENTS		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS		
11-1/4% Maturing June 30, 1985	106,594,000.00	
11-1/8% Maturing June 30, 1985	1,473,839,000.00	
11 % Maturing June 30, 1985	22,443,000.00	1,602,876,000.00
Total Assets		1,611,049,204.25
LIABILITIES		0.00
EQUITY		
Excess of Assets Over Liabilities		1,611,049,204.25
Total Liabilities and Equity		1,611,049,204.25

STATUS OF HIGHWAY TRUST FUND 1/
SEPTEMBER 30, 1983

	Current Month	Fiscal Year Date
I. BALANCE - BEGINNING OF PERIOD	$ 9,596,143,996.64	$ 9,046,417,431.11
II. RECEIPTS:		
A. Excise Taxes (Transferred from General Fund)		
1. Trucks, buses, trailers	-0-	51,403,366.00
2. Diesel and special motor fuels	115,000,000.00	957,988,886.00
3. Truck taxes:		
a. Manufacturers' tax	-0-	36,000,000.00
b. Retail tax	54,000,000.00	233,000,000.00
c. Transitional tax	2,000,000.00	18,000,000.00
4. Parts & accessories for trucks, buses, etc.	-0-	47,825,569.00
5. Tires of type used on highway vehicles	60,000,000.00	577,310,677.00
6. Inner tubes	2,000,000.00	19,559,077.00
7. Tread rubber	2,000,000.00	19,001,223.00
8. Gasoline:		
a. Gasoline	766,000,000.00	5,956,283,341.00
b. Gasohol	6,000,000.00	31,000,000.00
c. Gasoline floor stock	-0-	202,000,000.00
9. Lubricating oils	-0-	28,063,560.00
10. Use tax on certain vehicles	121,000,000.00	235,883,304.00
B. Less-Transfers to Land & Water Conservation Fund	-0-	24,085,000.00
C. Less-transfer to National Boating Safety Facilities Improvement Fund	-0-	25,000,000.00
Total Tax Receipts	1,128,000,000.00	8,364,234,003.00
D. Less-Reimbursement to General Fund-Refunds of Taxes and Estimated Tax Credits:		
1. Gasoline used on farms	-0-	37,537,865.00
2. Gasoline used for non-highway purposes of local transit systems	-0-	(700,271.00)
3. Floor stock taxes	-0-	-0-
4. Lubricating oils not used in highway motor vehicles	-0-	19,216,644.00
5. Fuel-taxicab refunds	-0-	2,355,546.00
6. Commerical Fishing Vessels	-0-	1,642,081.00
7. Gasohol (Tax Paid Gasoline)	-0-	2,522,598.00
8. Gasoline, other	-0-	5,000,000.00
Total Reimbursement for Tax Refunds	-0-	67,574,463.00
Net Tax Receipts	1,128,000,000.00	8,296,659,540.00
E. Advances from the General Fund	-0-	-0-
Less-return of advances to the General Fund	-0-	-0-
F. Interest on Investments	25,624,568.74	1,078,341,640.29
G. Miscellaneous Interest	-0-	26,562.18
Net Receipts	1,153,624,568.74	9,375,027,742.47

STATUS OF HIGHWAY TRUST FUND
EXPENDITURES
SEPTEMBER 30, 1893

III. EXPENDITURES:

A. Bureau of Public Roads-Federal Aid Highway Act of 1956	1,170,476,273.45	8,718,243,686.84
Right of Way Revolving Fund	(23,420,459.48)	(47,480,020.27)
National Highway Traffic Safety Administration	15,143,475.00	130,370,804.00
Trust Fund Share of Other Highway Programs	2,533,862.91	8,824,759.39
Highway Safety Construction	-0-	-0-
Baltimore-Washington Parkway	27,993,79	530,374,12
Highway Safety Research & Development	-0-	5,732,989.79
Overseas Highway	22,862.00	4,189,887.00
Highland Scenic Highway-Forest Service	-0-	1,676.72
Acceleration of Projects	187.00	4,312.22
Highway Related Safety Grants	950,588.78	13,017,926.13
Highland Scenic Highway Study-Forest Service	-0-	51,296.61
Intermodal Urban Demonstration Projects	10,137.12	108,043.49
Traffic Control Signal Demonstration of Projects	37,262.62	1,564,823.16
Carpool and Vanpool Grants	124,451.27	1,564,563.71
Bicycle Programs	-0-	182,490.19
National Park Service Construction	53,574.22	729,203.78
Mass Transit	3,131,463.22	3,131,463.22
B. Interest on Advances from the General Fund	-0-	-0-
Total Expenditures	1,169,091,671.90	8,840,768,280.10
IV. Balance End of Period	9,580,676,893.48	9,580,676,893.48

STATUS OF HIGHWAY TRUST FUND
SEPTEMBER 30, 1983
STATEMENT OF FINANCIAL CONDITION

ASSETS:

UNDISBURSED BALANCES:

Highway Trust Fund (20X8102)..................	$ 1,608.85	
Bureau of Public Roads-Federal Aid to Highway Act of 1956..................................	30,700,742.32	
Right of Way Revolving Fund....................	59,546,438.10	
National Highway Traffic Safety Administration	-0-	
Trust Fund Share of Other Highway Programs....	4,121,158.17	
Highway Safety Research & Development.........	-0-	
Baltimore Washington Parkway..................	262,031.68	
Highway Safety Research & Development.........	545,831.84	
Overseas Highway..............................	206,027.00	
Highway Scenic Highway-Forest Service.........	31,616.56	
Acceleration of Projects......................	1,507,595.17	
Highway Related Safety Grants.................	655,919.18	
Highland Scenic Highway Study-Forest Service..	4.32	
Intermodal Urban Demonstration Projects.......	114,115.51	
Traffic Control Demonstration Projects........	1,893,982.57	
Carpool and Vanpool Grants....................	1,888,322.11	
Bicycle Programs..............................	766,293.46	
National Park Service Construction............	293,669.86	
Mass Transit..................................	500,000.00	$ 103,035,356.70

INVESTMENTS:
(INCLUDES MASS TRANSIT ACCOUNT SCHEDULE A)
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS:

10-3/4% maturing June 30, 1984..............	9,480,773,000.00	9,480,773,000.00
Total Assets...............		9,583,808,356.70

LIABILITIES:

Advance Repayable to the General Fund......	-0-

EQUITY:

Excess Assets over liabilities.............	$9,583,808,356.70
Total Liabilities and Equity	9,583,808,356.70

1/ Includes Mass Transit Account (See Schedule A)

Bureau of Government Financial Operations
Division of Financial Management
Trust & Revolving Funds Branch
Date: NOV 22 1983

STATUS OF HIGHWAY TRUST FUND
SEPTEMBER 30, 1982

	Current Month	Fiscal Year Date
I. BALANCE - BEGINNING OF PERIOD	$ 9,415,801,080.46	$ 9,259,442,811.34
II. RECEIPTS:		
A. Excise Taxes (Transferred from General Fund)		
1. Trucks, buses, trailers	70,000,000.00	724,563,163.00
2. Diesel and special motor fuels	49,000,000.00	594,082,636.00
3. Gasoline	367,000,000.00	4,257,517,233.00
4. Tires of type used on highway vehicles	64,000,000.00	625,895,891.00
5. Inner tubes	2,000,000.00	22,551,899.00
6. Tread rubber	2,000,000.00	23,401,874.00
7. Use of certain vehicles	18,000,000.00	332,813,058.00
8. Floor stock taxes	-0-	-0-
9. Parts & accessories for trucks, buses, etc.	22,000,000.00	224,175,771.00
10. Lubricating oils	9,000,000.00	105,281,570.00
B. Less-Transfers to Land & Water Conservation Fund	-0-	30,300,000.00
C. Less-transfer to National Boating Safety Facilities Improvement Fund	-0-	-0-
Total Tax Receipts	603,000,000.00 1/	6,879,983,095.00 1/
D. Less-Reimbursement to General Fund-Refunds of Taxes and Estimated Tax Credits:		
1. Gasoline used on farms	-0-	85,074,993.00
2. Gasoline used for non-highway purposes of local transit systems	-0-	6,393,503.00
3. Floor stock taxes	-0-	-0-
4. Lubricating oils not used in highway motor vehicles	-0-	29,100,900.00
5. Fuel-taxicab refunds	-0-	4,111,048.00
6. Commerical Fishing Vessels	-0-	2,613,606.00
7. Gasohol (Tax Paid Gasoline)	-0-	2,710,010.00
8. Gasoline, other	-0-	6,300,000.00
Total Reimbursement for Tax Refunds	-0-	136,304,060.00
Net Tax Receipts	603,000,000.00	6,743,679,035.00
E. Advances from the General Fund	-0-	-0-
Less-return of advances to the General Fund	-0-	-0-
F. Interest on Investments	12,255,118.13	1,078,501,906.75 2/
G. Miscellaneous Interest	-0-	-0-
Net Receipts	615,255,118.13	7,822,180,941.75 2/
III. EXPENDITURES:		
A. Bureau of Public Roads-Federal Aid Highway Act of 1956	962,834,153.55	7,788,588,665.05
Right of Way Revolving Fund	(2,219,986.65)	1,369,671.02
National Highway Traffic Safety Administration	13,479,889.00	174,185,680.00
Trust Fund Share of Other Highway Programs	6,556,576.88	12,711,092.71
Highway Safety Construction	-0-	-0-
Baltimore-Washington Parkway	26,893.11	281,995.27
Highway Safety Research & Development	873,945.05	7,040,649.02
Overseas Highway	1,086,468.00	23,795,490.00 2/
Highland Scenic Highway-Forest Service	-0-	(33,293.28)
Acceleration of Projects	1,750.00	80,680.50
Highway Related Safety Grants	1,425,780.97	21,302,210.79
Highland Scenic Highway Study-Forest Service	14,050.51	69,517.50
Intermodal Urban Demonstration Projects	9,274.00	577,941.00
Traffic Control Signal Demonstration of Projects	295,920.40	3,020,974.64
Carpool and Vanpool Grants	141,386.78	1,527,051.79
Bicycle Programs	90,928.98	561,716.91
National Park Service Construction	21,736.90	126,279.06
B. Interest on Advances from the General Fund	-0-	-0-
Total Expenditures	984,638,767.48	8,035,206,321.98 2/
IV. Balance End of Period	9,046,417,431.11	9,046,417,431.11

HIGHWAY TRUST FUND
SEPTEMBER 30, 1982

STATEMENT OF FINANCIAL CONDITION

ASSETS:		
UNDISBURSED BALANCES:		
Highway Trust Fund (20X8102)	$ 650,713.03 1/	
Bureau of Public Roads-Federal Aid to Highway Act of 1956	264,944,429.16	
Right of Way Revolving Fund	7,586,055.14	
National Highway Traffic Safety Administration Trust Fund Share of Other Highway Programs	2,695,917.56	
Highway Safety Construction	-0-	
Baltimore Washington Parkway	392,405.80	
Highway Safety Research & Development	2,918,821.63	
Overseas Highway	4,395,914.00	
Highland Scenic Highway-Forest Service	33,293.28	
Acceleration of Projects	1,511,907.39	
Highway Related Safety Grants	3,675,845.31	
Highland Scenic Highway Study-Forest Service	60,717.75	
Intermodal Urban Demonstration Projects	222,159.00	
Traffic Control Demonstration Projects	3,458,806.35	
Carpool and Vanpool Grants	2,862,300.12	
Bicycle Programs	991,271.95	
National Park Service Construction	772,873.64	$ 297,173,431.11
INVESTMENTS:		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS:		
12-3/8% maturing June 30, 1983	7,583,227,000.00	
12-1/2% maturing June 30, 1983	576,017,000.00	
12-7/8% maturing June 30, 1983	590,000,000.00	8,749,244,000.00
Total Assets		9,046,417,431.11
LIABILITIES:		
Advances Repayable to the General Fund		-0-
EQUITY:		
Excess Assets over liabilities		$ 9,046,417,431.11
Total Liabilities and Equity		9,046,417,431.11

1/ Does not agree with MTS due to error in processing of appropriation warrant in the amount of $301,500,000.00.

2/ Understated by $300.00 in August 1982 and not previously reported.

Bureau of Government Financial Operations
Division of Financial Management
Trust and Revolving Funds Branch
Date: DEC 03 1982

Attachment 4

Effect on Highway Excise
Tax Receipts 1989 1/

Major Exemptions

	(millions $)
Gasohol	-480
Private Buses	-51
State and Local	-536
total	-1067

Office of Tax Analysis
February 26, 1988

1/ Includes Highway and Mass Transit sub- accounts.
Note: FHWA Table in 1989 Budget includes public mass transit with private buses.

In addition the $.04 exemption from fuel tax results in an annual revenue loss of approximately $2 million.

Table provided to Legislative Affairs

ATTACHMENT 3

450

FY 1988-HIGHWAY TRUST FUND AND HIGHWAY-MASS TRANSIT ACCOUNT

		(A) OCT	(A) NOV	(A) DEC	(A) JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TREAS TOTAL (1)	BUDGET (2)
	INCOME:														

	EXCISE TAXES:														
R	Hwy rev, gross	1141	1061	1194	1114	0	0	0	0	0	0	0	0	4510	14555
R	LESS:Refunds	0	0	65	0	0	0	0	0	0	0	0	0	65	223
O	INTER ON INVEST	12	45	466	4	0	0	0	0	0	0	0	0	527	1174
	TRANSFERS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	ROUNDING ADJT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL INCOME	1153	1106	1595	1118	0	0	0	0	0	0	0	0	4972	15506
O--OUTGO:															
	HIGHWAY TR FUND:														
	Fed-aid highways	1274	1144	1236	831	0	0	0	0	0	0	0	0	4485	13188
	Other	2	6	10	6	0	0	0	0	0	0	0	0	24	55
	MOTOR CARRIER GR														40
	NHTS ADMIN:														
	Oper & research	4	0	0	0	0	0	0	0	0	0	0	0	4	34
	Traff safety gr	7	10	9	2	0	0	0	0	0	0	0	0	28	121
	UMTA:Discret Grt	68	46	75	30	0	0	0	0	0	0	0	0	219	753
	B-W PARKWAY														8
	NSP, Interior														17
	ROUNDING ADJT	0	0	0	0	0	0	0	0	0	0	0	0	0	3
	TOTAL OUTGO	1355	1206	1330	869	0	0	0	0	0	0	0	0	4760	14219
	NET INC+OUTGO-	-202	-100	265	249	0	0	0	0	0	0	0	0	212	1287

mmx

NOTE: o Amounts are in millions

o Last column is budget estimate

o Taxes less refunds equals $14,332 on preceding page

ATTACHMENT 2

PROJECTED EXCISE TAXES

Highway Trust Fund and Highway Mass Transit Account
(Millions of Dollars)

1988	1989	1990	1991
$14,332	$14,298	$14,498	$14,671

NOTE: Future years are projected for the combined account only.

Highway
Users Federation
FOR SAFETY AND MOBILITY

Statement

of the

HIGHWAY USERS FEDERATION

for submission to the

Committee on Environment & Public Works

U.S. Senate

on the

1989 Transportation Budget

February 29, 1988

1776 Massachusetts Avenue, N.W., Washington, D.C. 20036-1993 (202) 857-1200

The Highway Users Federation (HUF) is a national coalition of businesses, industries and associations working to improve the safety and efficiency of America's highway transportation system. Our membership consists of more than 400 companies and associations representing 27 industrial and commercial categories, 63 state and local conferences, and 2,000 individual members, together representing the primary users of the nations highways as well as the major suppliers of highway transportation services and products.

The Highway Users Federation appreciates this opportunity to comment on the 1989 Transportation budget. We commend the Committee's early attention to the critical issues which will shape the post-Interstate highway program.

The Highway Users Federation, cooperatively with the American Association of State Highway Transportation Officials (AASHTO) and other concerned transportation groups to develop a national dialogue on America's future transportation needs. This effort, Transportation 2020, includes public forums in every state hosted by the state transportation agencies which provide the opportunity for concerned public and private sector leaders to present their views on transportation needs and problems. To date forums have been held in 36 states.

A major goal of Transportation 2020 is to seek consensus on how to best deal with issues raised by this Committee, including the "turn-back" of Federal Aid Highway funds or taxing authority to the states; and what should be the appropriate federal, state and local governmental roles in transportation finance.

When the series of forums are completed, the Federation will summarize the findings, identify areas of consensus and present them to a broad cross-section of

HUF members and others at "Congress on Transportation Futures" in Washington, D.C. this September. We will make every effort to keep the committee informed on the progress of this effort.

In response to the Committee's questions regarding the Administration's 1989 Transportation budget proposal, we appreciate the opportunity to offer the following comments.

Our society depends on fast, safe and inexpensive travel. Yet the ability of our existing highway transportation system to satisfy this demand is increasingly strained as steadily growing numbers of drivers travel rapidly increasing numbers of miles. The total vehicle mile of travel last year in the U.S. exceeded 1.8 trillion miles, almost three times the 1956 level when the Interstate system was inaugurated. Given a projected travel demand growth of 4% annually, which may be conservative, Americans will be travelling as much a 3 trillion miles per year by the year 2000.

While the transportation community is engaged in an intense effort to map out the nation's future transportation needs and define the future transportation program, it appears that the Administration, at least as reflected in the 1989 Transportation budget, is more concerned with sharing the pain of deficit reduction efforts.

The 1989 Transportation budget is termed "deficit neutral", returning to the states the full amount of anticipated tax receipts, though the balance of the Highway Trust Fund would continue to grow because of the Administration's policy not to count interest earned on idle Trust Fund balances as user revenue, hence not to be distributed to the states through the highway program. The Department of Transportation projects earnings of $813 million accruing, in this manner, to the

Highway Account of the Trust fund in 1989, dedicated for highway purposes only, and unavailable to the states.

DOT projections through 1993 suggest that such "deficit neutrality" could result in a $4.5 billion increase in the Highway Account above the 1987 end-of-year balance. This would amount to more than $13.8 billion in the Highway Account alone!

This type of fiscal legerdemain is one very compelling reason why the Highway Users Federation urges removal of the Highway Trust Fund from the unified Federal budget, and reflects our concerns over 1) the manipulation of the Trust Fund through restrictions on the use of earned interest; and 2) the increasingly heavy cuts made in highway expenditures in support of deficit reduction, despite the Trust Fund's self-supporting nature and the anti-deficit safeguards provided by the Byrd amendment. So long as the Highway Trust Fund remains in the unified budget, the highway program and its funding will be subjected to increasingly complex and destabilizing changes imposed by Gramm\Rudman\Hollings cuts or other deficit reduction efforts.

Congress has successfully restored a level of reliability to the distribution of highway funds by approving language in the highway reauthorization allowing administrative release of the Interstate Cost Estimate (ICE), it is regrettable therefore, that the nation's economic ills and the efforts of the Administration and Congress to restrain the deficit have again destabilized highway funding.

Last year's highway funding started out with obligation limitations below the $12.35 billion level established in the Surface Transportation and Urban Relocation Assistance Act of 1987 (STURAA-87), falling below $11 billion when deficit reduction cuts were imposed and ending the year at $11.7 billion after the "budget summit" agreement.

This year the DOT proposes an $11.4 billion obligation ceiling with $933 million in obligations outside the ceiling, again beginning consideration of the transportation budget at significantly lower levels than provided for in the STURAA-87 or even in the 1988 budget. Even though these numbers are said to be a "deficit neutral proposal", there is great uncertainty within the highway community as to whether further budget cuts will be needed in 1988 or 1989. Any further reductions below this already low level could seriously limit the highway program.

The growing number of budgetary restrictions, exacerbates a circumstance of great concern to highway users, the declining purchasing power of highway dollars. Income and expenditures for the Federal Aid highway program have grown along with the gas tax increase enacted in the Surface Transportation Assistance Act of 1982 (STAA-82). But in constant 1977 dollars, Federal highway obligations are actually declining to levels only slightly higher than pre-STAA-82 levels!

The chart below graphically highlights this damaging trend:

	OBLIGATIONS CURRENT $	CONSUMER PRICE INDEX ('77=100)	CONSTANT
$			
1980	$8.074 billion	163.0	$4.953
1981	8.972	156.7	5.726
1982	8.195	146.8	5.582
1983	12.824	146.5	8.755
1984	13.037	155.0	8.411
1985	14.083	172.1	8.183
1986	14.363	171.6	8.370
1987	12.904	171.5(est)	7.524

We urge the Committee to preserve the nation's immense and vital investment in highway transportation. Remove these questionable restraints upon the outlays of the Highway Trust Fund. It is essential that adequate funding be available to maintain the Federal-State partnership in highway transportation and safety until Congress crafts the post-Interstate Federal highway program.

FISCAL YEAR 1989 BUDGET REVIEW

ENVIRONMENTAL PROTECTION AGENCY

WEDNESDAY, MARCH 2, 1988

U.S. Senate,
Committee on Environment and Public Works,
Washington, DC.

The committee met, pursuant to notice, at 10:00 a.m., in room 406, Dirksen Senate Office Building, Senator Quentin N. Burdick (chairman of the committee) presiding.

Present: Senators Burdick, Mitchell, Lautenberg, Warner, Stafford, Chafee, Symms, and Pressler.

OPENING STATEMENT OF HON. QUENTIN N. BURDICK, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator **Burdick**. Good morning. It's a pleasure to welcome Mr. Thomas, Mr. Barnes, and the Assistant Administrators here today. We look forward to Mr. Thomas' statement and a frank discussion of the administration's fiscal year 1989 budget proposal for the EPA.

I have some serious concerns about the budget request. The bipartisan agreement between Congress and the administration last year placed certain restraints including a 2 percent increase on the discretionary spending budget programs for fiscal year 1989. The proposal for EPA, however, is actually 5 percent below the current year estimate. When carryovers are factored in, this amounts to a near 12 percent reduction.

The numbers tell only part of the story. Many policy issues are involved. Despite the fact Congress overwhelmingly supported amendments to the Clean Water Act last year, the administration is still trying to veto the bill through budget policy. This is exemplified by proposed reductions to the construction grants program.

Other important clean water initiatives would go unfunded in this budget. Nonpoint source pollution is one of the most pressing environmental problems we face. Yet, no State grant assistance is requested to implement the program mandated last year.

The same applies to the asbestos in schools program. It is a paradox that regulations under AHERA were issued only last October, yet no grant assistance is requested to implement them. Many school districts need financial aid to meet the requirements.

The increased funding request for the Superfund program is a positive note. Congress envisioned spending of $1.7 billion annually for 5 years to support cleanup of hazardous waste sites. That is roughly the request for Fiscal 1989 including a $100 million carryover.

Congress intended, however, that a part of those funds come from general revenues. The administration proposed drawing exclusively from taxes dedicated to the trust fund. That policy will merit some attention today and as an appropriation bill moves forward.

Another matter of concern to me and other members of the committee is implementation of the post-1987 ozone attainment strategy and other air programs. We will want to know precisely what the agency proposes to do after August 31 this year on construction bans.

In recent years budget issues have become an all-consuming and year-round concern for Congress and the Executive Branch as we search for means to come to terms with the deficit. Many policies are shaped in the context of spending bills. This was best exemplified by actions last December when the budget was adopted and implemented in two massive bills signed into law right before Christmas. Only now are Congress and the agencies realizing the full implications of those measures.

I remind Mr. Thomas that the Environment and Public Works Committee is always interested in, and should always be consulted on, important spending decisions affecting the direction and scope of agency programs.

I close by saying that we value the cordial working relationship we have with EPA under Mr. Thomas' leadership. Though we have had our differences with administration policy, the agency has been responsive to our requests for information and assistance.

Though this may be the last budget proposal Mr. Thomas will present to the committee, I look forward to seeing a lot more of him on other issues this year.

Before I ask my distinguished colleague, Senator Stafford, if he wishes to make a statement this morning, I would observe that this occasion signifies his last tour of duty in connection with the EPA budget. No one has dedicated more time and effort to crafting important environmental laws and following their implementation. One of the least glamorous tasks is wading through the budget every year to find out what will or won't get done.

In his capacity as chairman and ranking minority member, my colleague from Vermont has always done a masterful job of looking in the nooks and crannies of the EPA budget proposals to find out exactly what is going on.

Senator Stafford, do you wish to make an opening statement?

OPENING STATEMENT OF HON. ROBERT T. STAFFORD, U.S. SENATOR FROM THE STATE OF VERMONT

Senator **Stafford**. Thank you very much, Mr. Chairman for your very gracious words, which I appreciate. Let me just say it's always been a pleasure to work with you, Mr. Chairman, during the years we've both been on this committee and on some outside activities that you and I have carried out in behalf of the country.

It's been a great pleasure to work with Lee Thomas over the years, Lee, since you have been Administrator of EPA and before that. I continue to admire the way you have addressed all of the multitude of problems that EPA has to deal with.

You and I will be, I guess, both leaving here at the same time unless you find some other reason for staying around in the Federal Government.

I'd just like to make one very brief statement here, and that is that the budget for operation of the agency, not including the Superfund program, was approximately $1.35 billion in fiscal year 1981. The request for fiscal year 1989 for the agency's operation is $1.629 billion, or an increase of about 21 percent over the 1981 level. Inflation, however, over that same period will be in excess of 35 percent.

EPA's total workforce ceiling in 1980, the year before Superfund was enacted, was 13,817. The workforce ceiling requested for fiscal year 1989 is 11,730, not including the Superfund program.

Over the same period, 1981 to 1988, the Congress enacted numerous new statutory requirements to protect the environment, including major revisions and additions to our RCRA, the Safe Drinking Water Act, and the Clean Water Act. I'm not including the amendments to Superfund in this discussion because that program has its own funding mechanism.

Each of these revisions required major regulatory and research efforts by the agency. Thus, demands on the agency have obviously increased in response to our increased awareness of the threats to human health and to the environment. At the same time, the resources allocated to the agency in the light of inflation have decreased. Without pointing fingers or attempting to assign blame, I have to be concerned, this committee does and, Mr. Administrator, you do, too, I think, in asking: is the Congress providing adequate resources for the jobs which you have to undertake? I hope you would address that in the course of your remarks to this committee.

Thank you, Mr. Chairman.

Senator BURDICK. I would note that due to a conflict, Senator Reid was unable to attend today's hearing. His statement will be inserted into the record at this point.

[Senator Reid's statement follows:]

OPENING STATEMENT OF HON. HARRY REID, U.S. SENATOR FROM THE STATE OF NEVADA

Mr. Chairman and Members of the Committee, thank you for the opportunity to fully review the Administration's proposed budget for the Environmental Protection Agency for fiscal year 1989. I want to welcome EPA Administrator Lee M. Thomas to the Committee and look forward to his statement.

The Environmental Protection Agency administers a wide variety of programs which allow the agency to carry out its statutory mandate to protect the public health and the environment. These programs run the gamut and include the cleanup of hazardous waste sites, proposals to address stratospheric ozone depletion, the disposal of pesticides, as well as plans to improve air quality. The EPA deserves commendation for the difficult task of establishing the agency's priorities and responsibilities within the proposed fiscal year 1989 budget of $4.8 billion.

However, Mr. Chairman, I am concerned because it appears the EPA is taking a back door approach to thwart the intent of Congress. In February of last year, the House and Senate voted to override the President's veto of the Clean Water Amendments of 1987—the statute which provides a total authorization of $18 billion for construction grants through fiscal 1994. The Administration recommended a total authorization of $12 billion. Although Congress has authorized $2.4 billion for the sewer construction grants program, the Administration is requesting only $1.5 billion. I understand this year's request is consistent with the Administration's $12 billion figure, rather than the higher Congressional authorization.

EPA's budget priorities appear to have been designed to provide states with the necessary technical and financial assistance so that environmental programs can be carried out at the state level. Local administration of environmental programs is a worthy goal. But, I question EPA's decision not to renew funding for asbestos abatement projects, particularly for reducing asbestos in schools.

Again, I am happy to have Administrator Thomas appear before this Committee today and I will have some brief questions for him about EPA's budget. Thank you.

Senator BURDICK. Mr. Thomas, we look forward to your statement this morning. You may summarize your remarks if you wish. The full text of your statement will appear in the record.

You may begin.

STATEMENT OF HON. LEE M. THOMAS, ADMINISTRATOR, ENVIRONMENTAL PROTECTION AGENCY ACCOMPANIED BY A. JAMES BARNES, DEPUTY ADMINISTRATOR

Mr. THOMAS. Thank you, Mr. Chairman. I will summarize my remarks. As a matter of fact, what I will try to do is just give a brief overview of the budget proposal we have.

First, I would like to say I appreciate the opportunity to be with you again this year. As Senator Stafford said, this may be the last time he and I have an opportunity to talk about the importance of EPA's budget.

I join you in thanking him for the hard work he's put in, particularly the support he's provided me since I have been Administrator and when I was Assistant Administrator. The leadership he provided on this committee has been essential as far as the support that Congress has provided to EPA.

We have a difficult issue to discuss today, and that is how much money should go for one of this Nation's most important priorities, environmental protection. Then within that, have we taken that money and allocated it properly across all the different activities that fall under that general category of environmental protection. So let me give you the highlights of how we've done that.

I think overall the 1989 budget is a strong budget. There's no question that if there were more money to go around, I'd be the first to ask for more. I've done that consistently because I felt we needed more money in the agency since I've been there and we've gotten more money.

But I also have found we've got more things to do by a long shot than we can do completely, so we have to set priorities. That's what this budget is all about. I think the priorities are fairly well set. I think the environment will be protected by this budget, and I think that it continues a process of growth and strengthening of EPA that I've been involved in the five years I've been there.

Before I mention the 1989 budget, let me just quickly talk to you about the 1988 budget. I must say this year's budget process has been the toughest I've gone through in the 8 years I've been at EPA—or the 5 years I've been there, 8 years in Federal Government.

One of the reasons it was so tough is because we were dealing with the 1988 budget and the 1989 budget at the same time. Because of the time frame in receiving our 1988 budget and the directions that Congress gave us on that budget, we were working on a 1988 operating plan and developing a 1989 budget at the exact same time.

The 1988 operating plan was difficult to develop because, in addition to giving us increases in our budget, which Congress did, you also directed that we take decreases. You directed that we could not take those decreases out of the categories that you increased. So that meant we had to take decreases in our base budget.

Just to briefly point that out to you, in the Superfund program, we had to look at a $47 million decrease. That doesn't appear to be much when you're looking at a budget that's over $1.5 billion, but we basically took that out of the remedial action program by using carryover money.

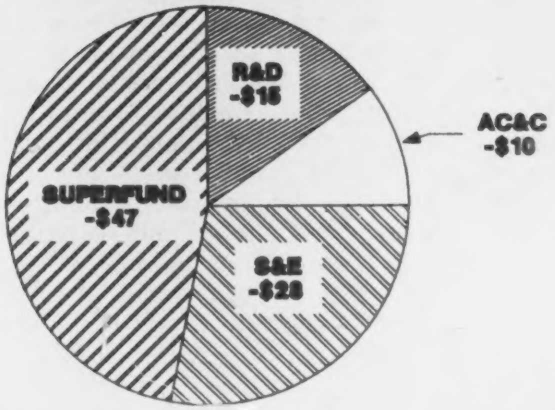
In the research and development program you directed we take a $15 million decrease. That turned out to be about an 8 percent decrease in our base research and development program. We were able to reduce that research and development program by working with the Appropriations Committees to look at how we phase in some of the new increased programs that Congress wanted us to deal with, particularly the new research program on risk assessment. But we also had to take some decreases in some of our other base R&D programs.

In our Salaries and Expense account, we took a $28 million decrease across the board. We had to take that decrease from our base. We looked at how we would deal with filling new positions. We did not have to end up looking at a freeze in hiring this year, but clearly we have to manage that process closely as we go forward in the year. We have to manage the things in the S&E account like travel and expenses, in addition to filling positions, very carefully in order to make that money up.

In Our AC&C account, which is basically our contract and grant account, we had to take a $10 million decrease, which is about a 2 percent decrease out of the base program. We took that pretty well across programs with the exception of a couple of high priority areas.

IN 1988, CONGRESS REQUIRED REDUCTIONS OF $100 MILLION FROM OUR BASE PROGRAMS

($ IN MILLIONS)



Mr. THOMAS. At the same time I was looking at a 1988 budget that included substantially more money than I had asked for, I was also looking at decreasing the base programs. It was a difficult process we went through.

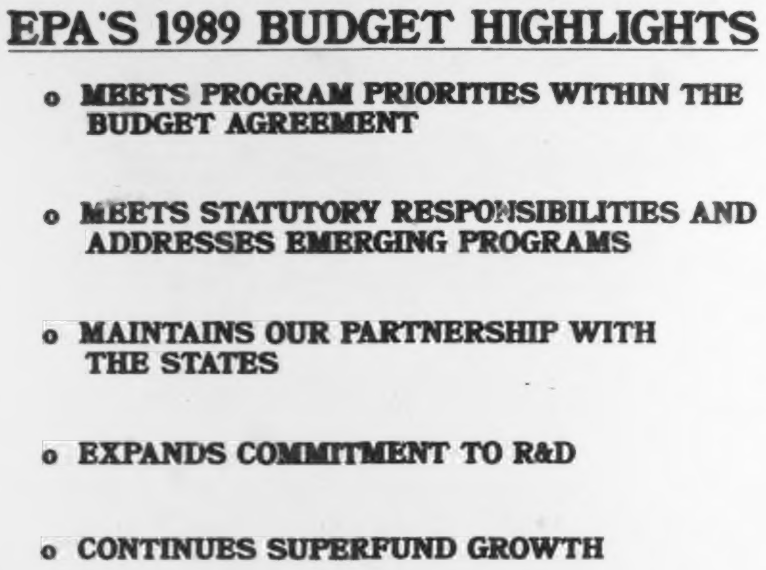
Finally, I was looking at what I would call emerging priorities; that is, needs that had to be taken care of that I had not anticipated when I put together that 1988 budget or Congress had not dealt with as we worked through the 1988 budget.

I have worked on and now come up with a 1988 operating plan which I have submitted to Congress. I think your staff has had an opportunity to look at it. I feel like it's a good operating plan for 1988, but it's a tight one and it's a tough one. You will see also that I had to reflect to a certain extent in my 1989 budget how I was going to bridge some of the issues that I ran into with budget priorities in 1988.

Against that backdrop of 1988, let me get into 1989 and talk to you about how we've allocated our resources. My 1989 budget request reflects five basic objectives: first, I had to operate within the budget agreement that Congress and the administration forged. That was a 2-year budget agreement. I found that it was a constraining budget agreement—for one reason, you now have agreed that we'll operate within targets both for outlays and budget authority. Well, budget authority, which has not been as tightly controlled under agreements as outlays, was controlled this year. So budget authority was a constraining force when I worked on various components of the budget.

But this budget does meet the overall agreement that the administration and Congress reflect. It meets the statutory responsibilities and addresses emerging programs, and I'll get into some detail as to how we try to do that. It maintains a partnership with the States by maintaining the State grant program. There is a strong State grant program. It expands the commitment to R&D, and I'll get into some detail as to how I try to do that. I think expanding our scientific knowledge is one of the most important things that the agency is doing.

It continues Superfund growth. The Superfund program has grown dramatically since I came to EPA to manage that program. It's been reauthorized. We're running the program at the level that Congress and we anticipated. It is a massive program with nearly 3,000 employees running about $1.7 billion. That is bigger than my entire agency operating account for all other programs.



EPA'S 1989 BUDGET HIGHLIGHTS

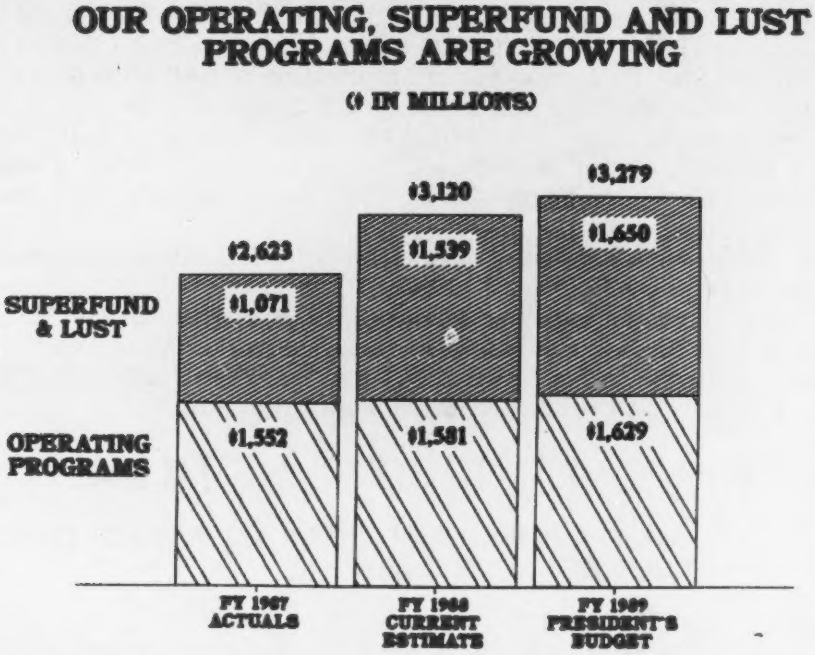
- MEETS PROGRAM PRIORITIES WITHIN THE BUDGET AGREEMENT
- MEETS STATUTORY RESPONSIBILITIES AND ADDRESSES EMERGING PROGRAMS
- MAINTAINS OUR PARTNERSHIP WITH THE STATES
- EXPANDS COMMITMENT TO R&D
- CONTINUES SUPERFUND GROWTH

It's not that my budget staff is nervous about this budget.

Senator STAFFORD. It may be that the title there is "Superfund and Lust."

Mr. THOMAS. I won't comment on that.

The increases in the operating account—the operating programs basically are everything other than construction grants. The Superfund and underground storage tank programs, as you can see, continue to increase from this year to next year, and the operating programs also continue to increase. You see the general increases that we've had. It's the third year now of a slight increase, and let me get into some detail.



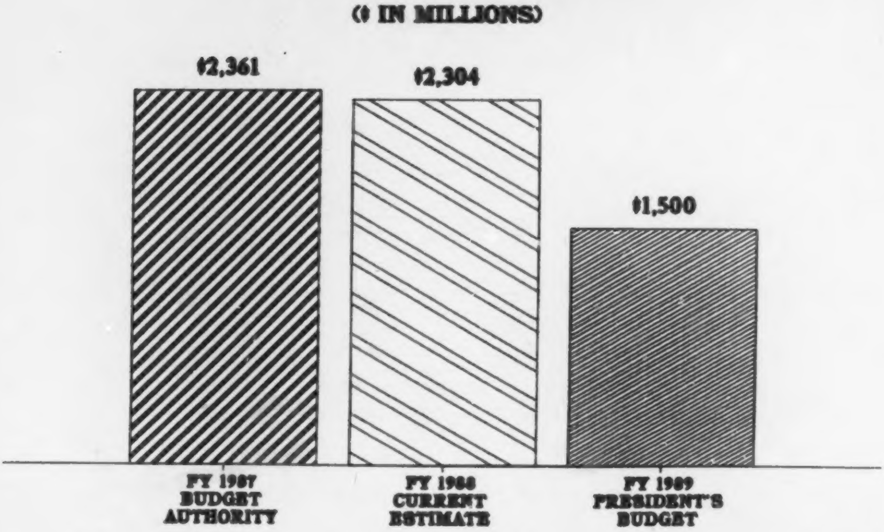
Before I do, let me talk specifically to the construction grants program, which is the other component of the budget. I know some of you discussed it yesterday, the $1.5 billion request. The $1.5 billion request that we've got is consistent with the $12 billion phase-out program that I discussed with you last year as opposed to the $18 billion program that you authorized in the clean water bill. Twelve billion dollars basically is consistent with the overall need as far as meeting the secondary treatment requirements under the Clean Water Act. We developed that $12 billion figure last year.

Let me put into perspective a little bit for you the $12 billion. When I came up here in 1985 to talk to you about a budget for the construction grants program, I inherited to a certain extent a budget that had been put together before I was Administrator. You will recall that I came up and talked to you about a $6 billion phase-out program. You talked to me about an $18 billion phase-out program. I ended up fighting a number of battles and having a lot of discussions, and I came back and talked to you about a $12 billion phase-out program.

I think the $12 billion phase-out program is a program that will meet the basic primary need we've got, which is the National Municipal Policy components of the Clean Water Act. I think it will allow us to move forward with capitalization of State revolving funds, and half of this money is to do that.

If there's disagreement between us, it's just how much money can we afford as we phase this program out. I don't think there's any disagreement between us as far as the program's objectives and what we want to accomplish. It's just how much can we afford. The $12 billion is how much we think we can afford as we phase this program out, and the $1.5 billion for 1989 reflects that.

OUR BUDGET IS CONSISTENT WITH THE $12 BILLION PHASE-OUT OF CONSTRUCTION GRANTS

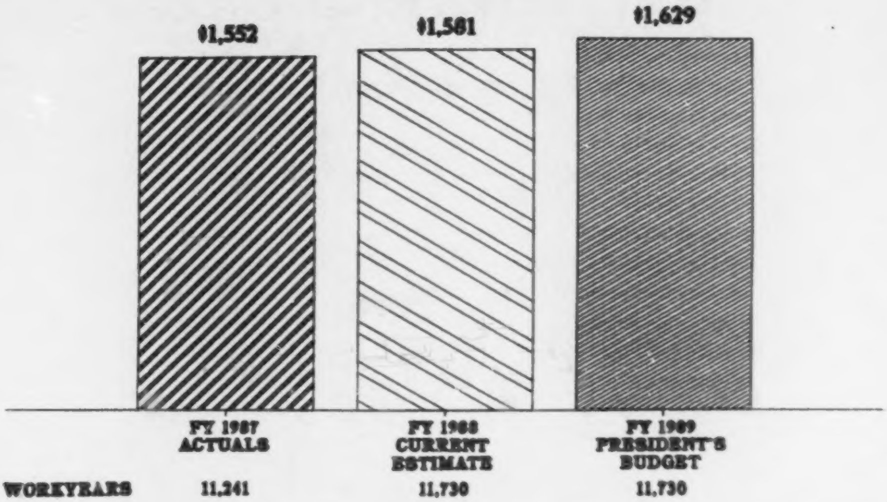


Mr. THOMAS. As far as the operating programs are concerned, as I indicated, we continue to increase in the dollar amount and the total equivalent full-time positions of 11,730 is basically continued from this year. That's about a 500-person increase from last. It will be continued over into 1989.

Now the specific components include all of our programs as far as operating accounts are concerned, but just to hit a couple of highlights, we've got some new priorities and we've got some ongoing ones. For the Clean Water Act, which as you indicated, is a major reauthorization of the Clean Water Act—we requested increased funding. You put a substantial amount of increased funding in our 1988 budget. That substantial increase is continued over into 1989, and we've requested few additional increases.

OUR OPERATING PROGRAMS INCREASE IN 1989, DESPITE BUDGET CONSTRAINTS

($ IN MILLIONS)



Mr. THOMAS. I mentioned wetlands there because we are increasing our wetlands staff by about 25 percent, and we are increasing the amount of money there to try to be more aggressive in the advanced identification program.

Our estuary program is going up as we try to identify and move forward with the components of the new Clean Water Act, identifying estuaries of national significance. Overall, the 1989 clean water program request of $266 million, incorporates a slight increase from 1988.

Solid waste is a major problem. The Federal Government, as you know, and EPA to a certain extent got out of the solid waste program and dealing with that problem about 8 years ago. I think this request reflects trying to get back into it. Now that $10 million goes a long way and with a significant increase in people, probably about 50 people, we will work on the overall solid waste program, we will initiate a technology transfer effort as far as recycling and reuse is concerned, working very actively with the States develop new standards for facilities, both land disposal facilities and incinerators, and really move back into the solid waste effort.

The pesticides disposal request is for $60 million in 1989 a significant increase as far as the budget is concerned. A policy issue, Mr. Chairman, as you indicated, is reflected in the budget.

Under the law, we are authorized to suspend and then cancel a pesticide. We are required to indemnify the manufacturer and pick up and dispose of that pesticide. The latest example was dinoseb, a large volume pesticide that's used for weed control and leaf defoliation, particularly for a variety of crops in the Northwest and other parts of this country. We suspended and are moving forward with cancellation proceedings for that pesticide.

We've got EDB, 2,4,5-T and Silvex stocks on hand. This year we received $8.35 million for disposal as part of our appropriation. I'm proposing $60 million for 1989. That should complete the disposal of EDB stocks, 2,4,5-T/Silvex stocks and a significant portion of the dinoseb stocks. The Federal Government's responsibility to pay for disposal is an issue that I think, frankly, should be dealt with by changing the law. I don't think we should be paying for the disposal of these pesticides; I think the manufacturers of those pesticides should have that responsibility. If we suspend and cancel a pesticide because we've got major health concerns, I think that the responsibility for recall and disposal should be shouldered by the registrant.

The law isn't written that way. Under current law, I've got the responsibility. I want to do it properly. I don't think we've handled it well over the last several years. I want to take care of and properly dispose of those pesticides. So I'm asking for $60 million in order to do that.

Global climate warming and chlorofluorocarbons, $18 million, that's a significant increase in dollars and people over what's in my 1988 budget. It reflects a growing concern on your part and my part and the world's part on these issues. A significant part of that is an increased research program both on stratospheric ozone depletion as well as global warming.

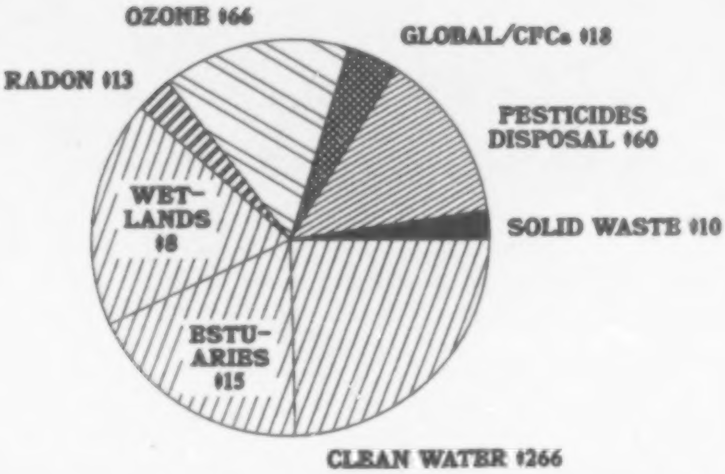
Ozone or the non-attainment issue is targeted at $66 million, a major component of our budget both in 1988 and 1989. This will be a very major issue for us as we work through the non-attainment problem. A large part of how we work through this issue will be dependent upon actions that Congress takes.

You have restricted me from using my sanction authority through August 31st. If you move forward with the reauthorization of the Clean Air Act specifically related to ozone and carbon monoxide, we'll be prepared to implement that. If you don't, we're prepared to move forward with a proposed policy which I am currently taking comment on, including the use of sanctions in those areas that have not attained that standard.

Our radon program continues with an increase moving forward with those components of the radon program that we laid out for you over the last couple of years. This is very consistent with the legislation that the Senate passed dealing with radon, legislation that we strongly supported. So emerging priorities get attention as far as this budget is concerned.

EMERGING PRIORITIES

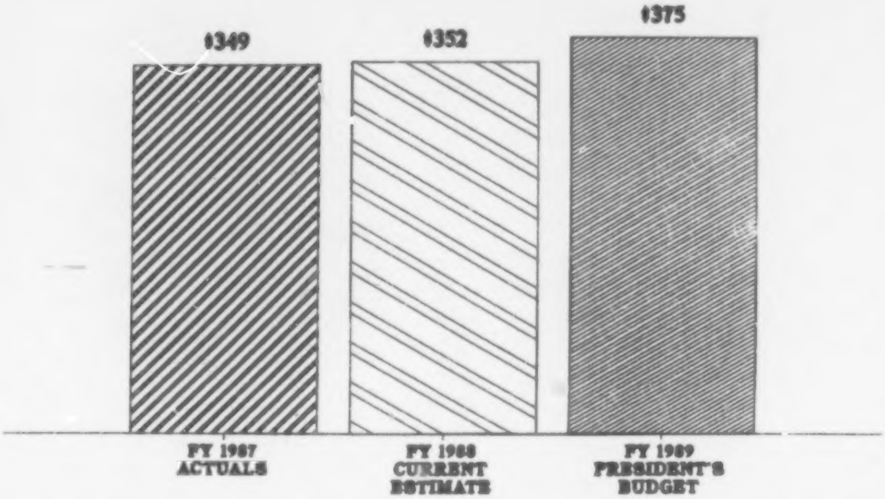
($ IN MILLIONS)



Mr. THOMAS. Research and development, as I indicated, will go up. You will see an increase this year. Funding for the research and development component is taken from both appropriated funds for the operating programs and Superfund dollars. The Superfund research component is one that's been strengthened with significant increases over the last couple of years since Superfund was reauthorized.

WE HAVE INCREASED RESOURCES FOR RESEARCH AND DEVELOPMENT

($ IN MILLIONS)



Mr. THOMAS. Let me give you a couple of highlights of what's in that research and development budget. First, as I indicated, hazardous waste related research, including both Superfund clean-up technology and the overall hazardous waste research program, has a combined budget of nearly $75 million for research and development.

Clean water research, again, as I indicated, will increase as will research for stratospheric ozone depletion and global warming.

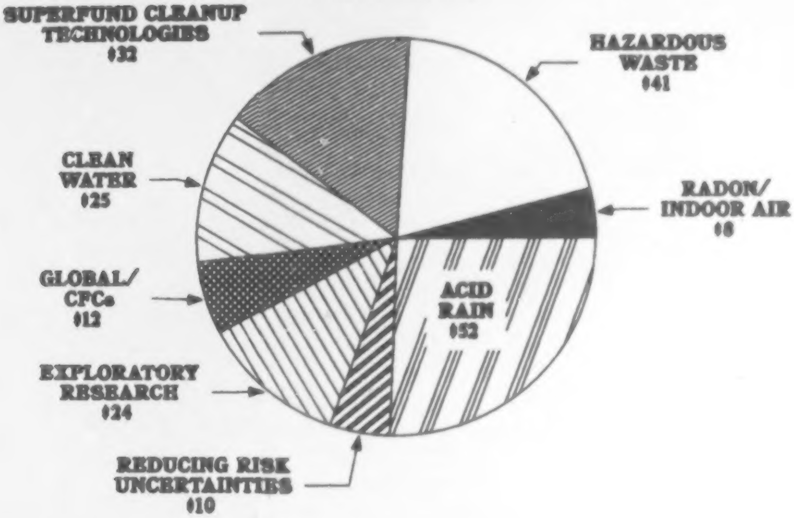
Our exploratory research request this year will incorporate Superfund exploratory research funds for establishing centers for Superfund clean-up technology and hazardous waste research at universities.

Our research request also includes a new category for reducing risk uncertainties, a category that Congress incorporated this year, and one that I strongly support. This effort is largely a health research program aimed at reducing scientific uncertainties as a component of the risk assessment process.

Acid rain continues to be a major component of our research program, totaling $52 million. The administration's overall request is nearly $85 million for acid rain research, aiming toward the 1990 assessment report authorized by Congress in 1981 as the conclusion of a 10-year research effort.

OUR R&D REQUEST WILL ADVANCE OUR SCIENTIFIC KNOWLEDGE TO IMPROVE DECISION MAKING

($ IN MILLIONS)

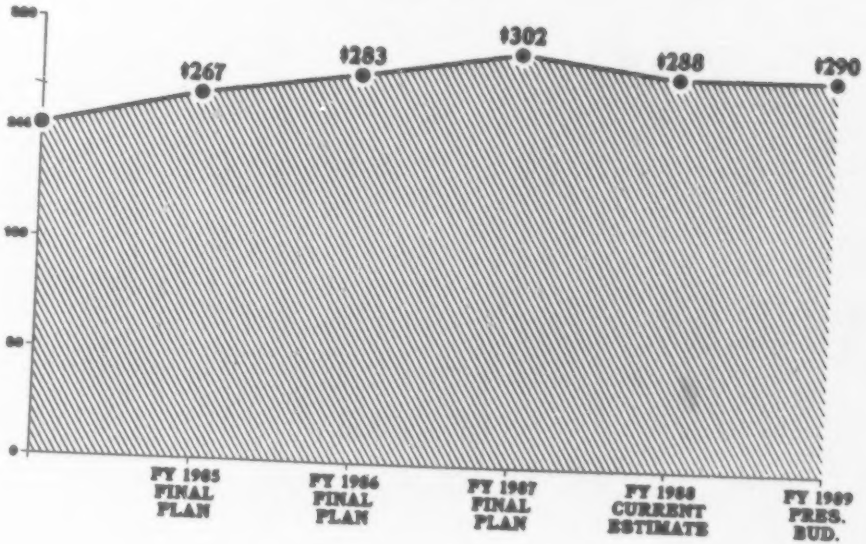


Mr. THOMAS. The State grant program, as I indicated, is one that will continue basically at the 1988 level with slight increases. We're increasing by about 30 percent the grants we give to States for underground storage tank programs. We're taking back up to the 1988 level, before we had to make reductions, hazardous waste, water, and air grants.

The underground storage tank program, $50 million, basically this is our clean-up program for underground storage tanks. We've got that program underway. It's one that's largely carried out by the States. We've got a majority of States, that are now operating under cooperative agreements dealing with underground storage tanks.

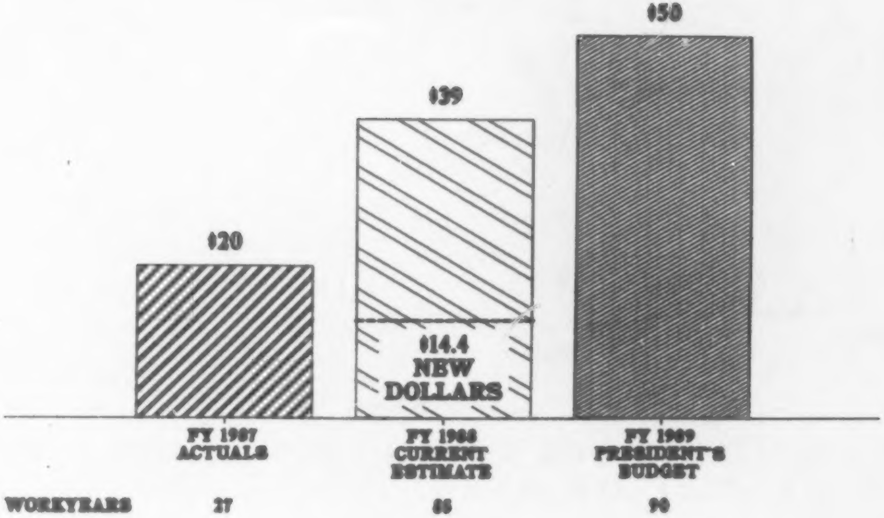
OUR GRANT PROGRAM MAINTAINS A STRONG COMMITMENT TO THE STATES

($ IN MILLIONS)



THE LUST PROGRAM INCREASES BY 28 PERCENT

($ IN MILLIONS)



Mr. **Thomas**. I think that this is going to be a real success story for all of us when we look back on it in a couple of years and we think about the reauthorization. Responsible parties we find are cleaning up many, if not most, of the underground storage tank spills. This allows the States to really target the Trust Fund money for those spills where there are no responsible parties. Here we're asking for a significant increase in funds for fiscal year 1989.

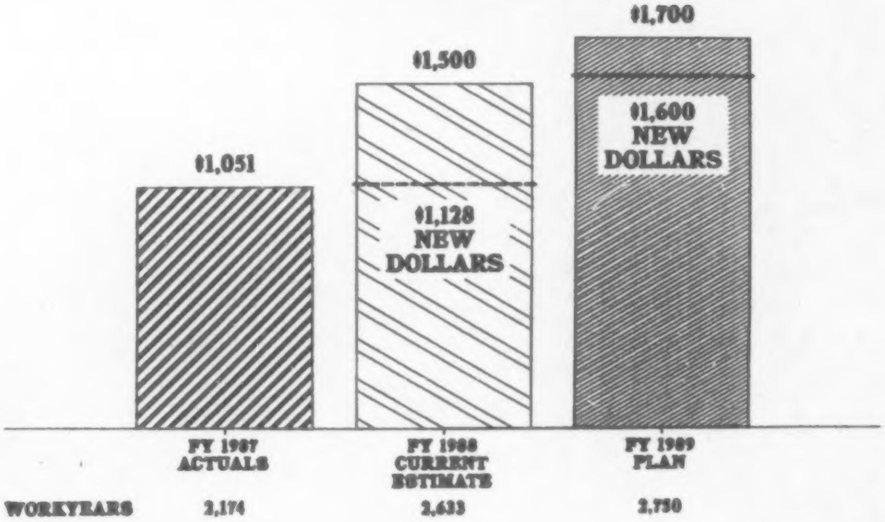
Superfund continues its growth also. As I indicated, $1.6 billion is requested in new funds. We're also anticipating about $100 million in carryover. We expect the program to be running at $1.7 billion. This reflects a program that will basically run at the level Congress had anticipated when the program was reauthorized, with a total five-year payout of about $8.5 billion.

The majority of the money in the Superfund program goes for direct site support. As a matter of fact, of the increased funding for this year, you'll find that nearly 90 percent of that money goes for remedial action work. In other words, the big projects that are coming out at the end of the pipeline for cleanup are taking most of the increased funding that you see. We're running the program at approximately the same level we ran it last year, which I think is at about full speed. Most of the money is now going for the big projects as they conclude the engineering and design work and go to clean-up phase.

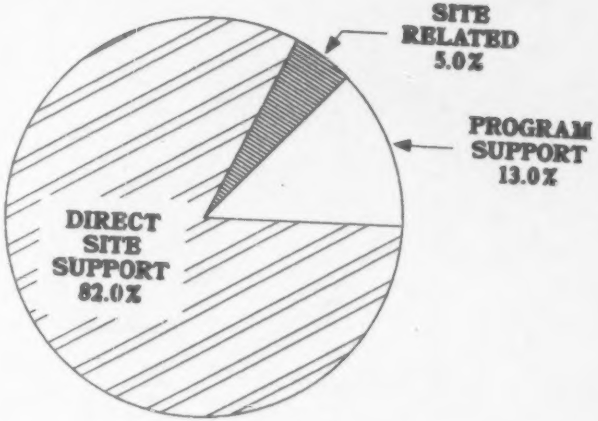
As you can see, that's where the increase goes, $190 million of the $200 million increase we're looking at in 1989 will go to remedial action (the final clean-up stage). Most of the money is going in that part of the program.

SUPERFUND CONTINUES ITS RAPID GROWTH IN 1989

($ IN MILLIONS)

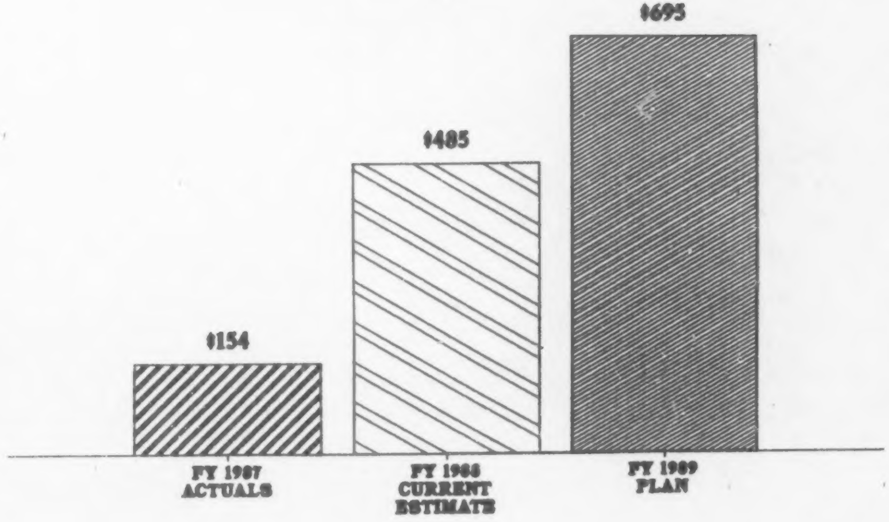


OVER 80 PERCENT OF OUR SUPERFUND RESOURCES PROVIDE DIRECT SITE SUPPORT



THE INCREASE IS DIRECTED TO THE FINAL SITE CLEANUP STAGE

($ IN MILLIONS)



Mr. **Thomas**. So, in conclusion, the budget request mandates Superfund reauthorization, clearly reflecting the fact that the program is now running at a pace that has a large number of projects coming out of the end of the remedial program and reflecting the increased cost of permanent remedies. It addresses emerging programs, as I indicated, such as global warming, CFC's, and many other programs. It enhances and builds the R&D program in the agency, and it sustains the Federal-State partnership with a grant program, basically maintained at the level we established within the last two years.

Mr. Chairman, I appreciate the opportunity to be with you and to present this overview of our 1989 budget. I'd be pleased to answer questions that you and members of the committee have.

Senator **Burdick**. Thank you very much.

Several senators have entered the chamber. The Senator from Idaho?

Senator **Symms**. Thank you very much, Mr. Chairman. I'll be very brief. I want to apologize in advance to the chairman and the ranking member and to Mr. Thomas, I have to leave shortly for another meeting.

I just want to ask one question about the disposal of products like dinoseb. As you know, that has been a product that we have used a great deal in the pea and lentil industry in my State and in Washington State. What would be required from your agency or from this committee or what congressional action taken to take a product that has been outlawed and, instead of having an expensive disposal program of the concentrated material, to dispose of what's left, spray it out on a field and get it scattered and disposed of?

I believe that there's a real scientific case that can be made that that's less harmful to the environment than having those cans of concentrate that are toxic erode through in a certain length of time and spill into the ground, and create all kinds of problems.

What would it take just to use up what's left?

Mr. **Thomas**. You would have to change the statute. As a matter of fact, we've just gone through this issue. We just had a court case related to chlordane, which we also had moved to cancel. In that case, we worked out a consent agreement which incorporated using up existing stocks in a very controlled way. The courts just indicated to us in a ruling that the consent agreement was inappropriate under the statute.

Clearly, the statute would have to be changed in order for us to allow the remaining stocks of dinoseb to be used up—even though we feel we've been able to work in that direction under the existing law. To make the statute very clear and direct, so there would be no question, I think you would have to change the law.

Still, you might run into significant problems. Dinoseb is a good example. I worked for a good solution on dinoseb and still we've been challenged on that also. We currently have litigation on that.

We found very significant health effects, even with very small amounts of dinoseb, and we were concerned not only about the people who were applying dinoseb, but also about the people who live near areas where dinoseb is applied. It is very difficult to fashion a control program that allows those existing stocks to be used that doesn't still present a health risk.

That is the issue you immediately find yourself in when you are trying to work through an existing stocks program. Now we incorporate the concept of trying to use existing stocks through a tightly-controlled series of restrictions oftentimes as we work through cancellation, but the problem you run into is the one I just expressed. Also, there clearly are legal problems associated with an existing stock program.

Senator SYMMS. Do you think the methodology that was used last year for the application—as I understood, that was the last year it would be used—was satisfactory?

Mr. THOMAS. When I balanced the risks and benefits of continued use, I felt that in certain limited cases, because I developed after careful consideration a process for using dinoseb in a very limited number of cases with very tightly-controlled restrictions, that we could go forward in those cases for an additional year.

The decision was not one that was geared toward using up all the existing stocks of dinoseb. I did not think that was possible. I think that would have resulted in far too widespread use. I don't think we could have insured the kind of restrictions that I felt were necessary in order to prevent a health risk. So I did not think the option of using existing stocks of dinoseb was available, given the health risk, other than a one-year extension in a very limited number of situations with very tightly-controlled conditions. That, as you know, was challenged. We're in the middle of litigation over that issue as well.

Senator SYMMS. I thank you very much.

Thank you, Mr. Chairman.

I appreciated your assistance last year on that very sensitive issue. Thank you.

Senator BURDICK. Senator Lautenberg, do you have an opening statement?

OPENING STATEMENT OF HON. FRANK R. LAUTENBERG, U.S. SENATOR FROM THE STATE OF NEW JERSEY

Senator LAUTENBERG. Very briefly, Mr. Chairman, if I might, I'd appreciate the committee's indulgence.

I want to welcome Lee Thomas. I always enjoy sitting across the table just kind of "shmoozing" like we do.

Lee, as I'm sure you always do, you make the case, but there are many ways to look at your budget and I'll opt for the most telling, and that is the bottom line. EPA's bottom line is clear. You see about a 10 percent cut from last year's total spending.

Some are going to rationalize this by talking about the deficit, and some are going to point to the budget summit. None of these, in my view, justify the cut. The budget summit, in fact, gave the President the option to increase discretionary domestic spending by 2 percent, and that's not a mandate, in my view, to slash EPA's budget by 10 percent. It's no justification for the budgetary stagnation.

When adjusted for inflation, EPA's 1989 operating budget is essentially frozen at the 1976 level. Yet, since 1976, we've enacted many tough new laws, including clean air, clean water, safe drinking water amendments, RCRA, right to know, and a radon protection program, but we've not seen a real increase in funding. What we do see is an administration view that consistently ignores not only the letter, but certainly the spirit of our environmental laws.

The proposed cuts in sewage construction funds are a glaring example. The President claims that these cuts are consistent with his long-term $12 billion. This budget would give us dirtier water and postpone the day when our beaches are free of sewage and pollution. That's why the Senate rejected the President's plan by an 82-to-17 vote. If that wasn't clear enough, Congress then voted overwhelmingly to override the President's clean water veto.

The pattern is repeated throughout this budget. We see the zeroing of asbestos in schools grants program. We see a 40 percent reduction in the New York Bight restoration plan which Senator Moynihan and I worked hard to enact last year. Air, toxic and waste reduction funding is cut, and right-to-know programs are underfunded.

Once again, we see the President attempting to undo through his budget what Congress mandated through legislation. Once again, the administration should expect this committee to resist the attempt. Yesterday 11 members of the committee, along with 19 other Senators, began the effort with our clean water resolution. Today we're going to continue the process with what I'm sure will be interesting testimony by EPA.

Mr. Chairman, I commend you for getting this hearing going and look forward to working with you.

Of course, I do welcome Lee Thomas. I know that he is a professional with the highest personal standards in terms of commitment to a cleaner environment. I feel that he has been drafted into an army of budget protesters that I wish we could change in some way.

Lee, I hope that as we get into this discussion here that you will consider some of the things that you and I and others here have worked so hard to accomplish in terms of legislation that are being stalemated by an inability to fund them.

Thank you, Mr. Chairman.

Senator **Burdick**. Senator Chafee, do you have an opening statement?

OPENING STATEMENT OF HON. JOHN H. CHAFEE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Senator **Chafee**. Mr. Chairman, I do have an opening statement. I'll put it in the record.

I just want to briefly summarize my statement.

I am deeply disturbed over the reduction in the clean water and the waste treatment facilities in the budget. It's a reduction of a little over $800 million. As most of us remember in 1981, when the administration came in, we were working on the Clean Water Act. We reached an agreement with the administration that we would have $2.4 billion for 10 years. Now the administration is backing off from that. The chart that Mr. Thomas showed, entitled "Our budget is consistent with the $12 billion phase-out of the construction grants." That was rejected by the Congress, as you recall, in an overwhelming vote.

We've made this commitment. We worked into our bill a phaseout, and this does not follow that agreement.

The budget is unacceptable as far as I'm concerned with that $800 million reduction in the $2.4 billion that was promised for the waste treatment construction grants.

Now there are other things. No money was requested for the clean lakes program or the new program to control nonpoint sources of pollution. Once again, there's no money for asbestos in the schools loan program. That's been left out, and Congress has come back and put it back in again.

So we've obviously got some work to do on this budget, Mr. Chairman. I wouldn't be satisfied with it until we restored the money necessary to bring the construction grants program up to the amount we agreed to in 1981, which was level funding. There were no increases for inflation or anything. For 10 years it's $2.4 billion. That will be my goal during this markup.

Now, having said that, I want to commend Mr. Thomas for most other things in the program.

Each year we impose more and more obligations on EPA, and we've got to increase the money for it if he's going to be able to carry them out. I think he's a loyal soldier to come in and say that he can take care of these problems, but I think there are a lot of difficulties, setting aside the construction grants program. In other words, I think we'd be hard put to take the money from within his budget and reallocate his sum. I don't know how we could do that.

Let me ask a question, if I might. Who's a budgetary expert around here? Maybe I'll save it.

Senator **Stafford**. We all are when we're a long way from home.

Senator **Chafee**. That's right.

All right. Well, I'll save that and just say that my goal, Mr. Chairman, will be to restore the $800 million, from other sources, that is required to bring this money for the construction grants up to the $2.4 billion.

Thank you, Mr. Chairman.

[Senator Chafee's written statement follows:]

Opening Statement of Hon. John H. Chafee, U.S. Senator from the State of Rhode Island

The Administration's proposal to fund the Clean Water Act's construction grants program at $1.5 billion, $800 million less than last year and $900 million less than the $2.4 billion agreed to as part of the 1987 Clean Water Act Amendments, is a mistake.

This proposal is little more than an attempt to accomplish, through the budget process, an agenda that was soundly defeated when we voted to override the President's veto of the Clean Water Act amendments last year.

It will leave a large environmental need unsatisfied. Our cities and towns simply cannot afford to bear the full cost of building wastewater treatment plants. Under the 1987 amendments to the Clean Water Act, Rhode Island is scheduled to get over $16 million in 1989 to help pay for sewage treatment. Under the President's proposal, we would lose more than $6 million. In addition, the program we set up to clean up our bays and estuaries would lose almost $7 million.

These reductions are not only unwise but they are unnecessary. The budget agreement reached last year to reduce the deficit did not call for a reduction in this program. We can appropriate the full $2.4 billion and still meet the deficit reduction targets.

So where does this lost $900 million go? Does it go to other EPA programs? No, it does not! Even though the proposal would cut $900 million here, it would increase EPA's operating budget by only $48 million.

We all know that EPA is overburdened. It has too many responsibilities and too few resources. But rather than continuing to protect the environment with this money, the Administration proposes to shift this money to some other area. The proposal is wrong and must be rejected by the Congress.

In addition to shortchanging the construction grants program, the budget that is before us would ignore a number of other important programs that were approved by Congress as part of the Clean Water Act amendments of 1987. For example, there is no money requested for the Clean Lakes program or the new program to control nonpoint sources of pollution.

In another area, the failure to request funds for the asbestos in schools loan program is nothing new. We have seen this before, we have rejected it before and will undoubtedly do so again.

The Congress is going to have to make some tough choices. Unfortunately, this budget proposal will make that process even harder than it needs to be. By making unrealistic proposals that have been rejected in the past, the Administration has left us without useful guidance in this area.

Senator **Burdick**. Senator Stafford, do you have a comment?

Senator **Stafford**. Mr. Chairman, I appreciate the chance for a brief comment because another committee I serve on is meeting right after this rollcall and I will have to go to it for a while.

I would say to you, Mr. Thomas, and to your associates who are here, that I pretty much share the views just expressed by Senator Chafee as far as this budget is concerned. I yesterday joined with some others in expressing our chagrin that the construction grants program was being reduced to $1.5 billion from the $2.4 billion that we had anticipated would be in it, and the other smaller items that Senator Chafee enumerated I also wish were a part of this budget.

For those particular areas, I do feel that we've got work to do, as Senator Chafee has said, on this budget. I think we'll be prepared to deal with it.

Generally, though, I will say that in several areas I'm encouraged that the budget, in fact, in view of our deficits and debt, does show some modest increases.

Thank you, Mr. Chairman.

Senator **Burdick**. The committee will be in recess for 10 minutes while we go vote.

Senator **Chafee**. Mr. Chairman, may I just say that any absences I have will be solely due to the fact that the Banking Committee is engaged in a big markup on the total reform of the bank powers, and we've been trying to wrestle with this for three days and I think the votes are finally going to come today in the committee. If I'm absent, it will be solely for that reason.

Senator **Burdick**. We'll recess for 10 minutes.

[Brief recess taken.]

Senator **Burdick**. Senator Mitchell, do you have an opening statement?

OPENING STATEMENT OF HON. GEORGE J. MITCHELL, U.S. SENATOR FROM THE STATE OF MAINE

Senator **Mitchell**. I do, Mr. Chairman. Since the hearing has already commenced, I will, in the interest of time, ask that my statement be included in the record and will defer any further comments until I get an opportunity to question Mr. Thomas.

Senator **Burdick**. Without objection, so ordered.

[Senator Mitchell's statement follows:]

OPENING STATEMENT OF HON. GEORGE J. MITCHELL, U.S. SENATOR FROM THE STATE OF MAINE

Mr. Chairman; I would like to extend a warm welcome to Mr. Thomas and the Agency officials with him here today.

More so than in past years, this is a budget with some good news and some bad news. The worst news in the budget is the Administration plan to make a major cut in assistance to communities for construction of sewage treatment plants.

Yesterday, I joined Senator Lautenberg and other members of this Committee in introducing a resolution opposing the plan to cut sewage treatment plant funds from $2.4 to $1.5 billion in fiscal year 1989.

The President's proposal is bad policy. It breaks the commitment the Administration made back in 1981 to maintain program funding for at least 10 years in exchange for narrowing and limiting the program. And, the proposal falls short of the absolute minimum, botton-line level of Federal funding needed to achieve the goals of the Clean Water Act.

Another area of bad news in the budget is the lack of any funding for the new program in the Clean Water Act for control of nonpoint sources of water pollution. Nonpoint pollution from city streets, agricultural lands, and construction sites represents a large portion of the remaining water pollution problem. Congress authorized $100 million in fiscal year 1989 for grants to States to develop nonpoint source programs, and the Administration proposes no funding whatsoever.

The combination of cuts in the sewage treatment program and refusal to fund nonpoint pollution efforts raises serious questions about the Agency's ability to implement the Clean Water Act effectively.

This budget is also inadequate to effectively respond to the public health problems of ozone and carbon monoxide nonattainment. Under any scenario, States will need to revise their plans for attaining applicable standards. Even under the EPA strategy, the agency will need additional resources to move the nation toward attainment.

While some additional money has been provided in the air program, no additional money is being provided for State grants. In real terms, States will receive less in grant funding this year than they did last year. But we are again asking States to do more with less.

This new federalism has ushered in less protection of public health and the environment. Tough budget choices must be made, but this Administration does not acknowledge that any budget cut may adversely affect the public health and the environment.

While this budget has some serious flaws, there are also some bright spots. There is a small increase for programs addressing the health threats posed by radon gas. Funding for the research program is increased somewhat. And, there is more attention to the problem of global warming.

I know that these small increases in key program areas are often hard won battles with the Office of Management and Budget, and I want to thank Mr. Thomas and the other Agency officials here today for their efforts to get these small but important increases in selected areas.

Finally, Mr. Chairman, I want to remind my colleagues that, even the modest increases included in this budget leave the EPA several stops short of the fully functioning and effective agency which the Congress and the American people expect.

On the one hand, the purchasing power of the Agency budget decreases each year as a result of inflation. The fiscal year 1989 operating budget, in constant 1988 dollars, is $1.566. This is a cut of $51 from the 1975 operating budget, in constant 1988 dollars, is $1.566. This is a cut of $51 from the 1975 operating budget, which in constant 1988 dollars was $1.617.

At the same time, the purchasing power of the Agency has decreased, the Agency workload has increased sharply. Since 1981, the Committee has developed major new statutes addressing drinking water, hazardous wastes, Superfund, and Clean Water. These new statutes carry major workload increases, which we did not intend to fund by cutbacks in existing effort.

I know that Mr. Thomas is under strict constraints with regard to budget proposals. We are all doing our best to make the best of limited resources.

But, I am concerned that we have stretched the enviornmental dollar too thin and that this budget does not provide the first rate environmental programs that the American people expect and deserve.

Thank you, Mr. Chairman.

Senator MITCHELL. Thank you very much, Mr. Chairman.

Mr. Thomas, welcome. I look forward to working with you on the EPA budget this year, as do all members of the committee.

I have two areas of questioning. The first involves radon. I am pleased that the budget includes a small increase for the radon program. While there's a strong case for even more support, I think this increase goes in the right direction.

As you know, the Senate has passed the radon bill which I introduced with Senator Lautenberg and others. That would provide $10 million a year in grants to States to start up radon programs. We expect the House to act soon. This is, in part, a result of the agreement we reached with the administration, through Mr. Barnes' good efforts and yours, and we're really pleased to have an area in which we cooperate and work toward a solution.

Given the serious health threats posed by radon, I believe it's important we act on this issue as soon as possible. My question is: if the House acts and we enact finally a State grant radon program this year, would you seek a supplemental for funds this year to get the effort started rather than wait until the following year?

Mr. THOMAS. Senator, I do appreciate the fact that we've been able to work together on the radon issue. As a matter of fact, you first raised it to me when I came up here with the first budget proposal when I was Administrator, and we've worked on it since together. I think we have made progress on it. It is clearly a very significant problem.

The legislation which you actually co-authored with a number of colleagues and pushed through the Senate we support strongly. We're hopeful that that legislation basically as the Senate passed it goes through the House and we end up with a law. If that happens, I will try to find the money to move forward with a State grant program first within my existing budget. I will tell you that will be extremely difficult to find. If I can't find it there, then I will work with Congress to try to see if we can find it through the supplemental process.

The commitment is to first look in my budget and see what I can do. For instance, if it's at the very end of this year, it might not require much. If we're still in the 1989 budget cycle, Congress may have an opportunity to deal with it in the 1989 budget cycle. But clearly we will work to try to implement that provision of the radon legislation.

Senator MITCHELL. Well, I thank you for that. We look forward to that.

Now my next area of questioning is one in which there has not been cooperation between the Congress and the administration. Indeed, it's been marked by conflict. That is the sewage treatment construction program.

Mr. Thomas, in 1981 the President proposed to Congress three major changes in the program. He asked that we agree to reduce the amount of funding from the levels of authorization which were then approximately $5 billion a year down to $2.4 billion. That's a cut of more than half. He asked that we reduce the Federal share of the cost of these programs from 75 percent to 55 percent. He also asked that some aspects of these programs which were previously eligible for Federal assistance be excluded from eligibility for Federal assistance, thereby narrowing the scope of the projects eligible for Federal assistance.

Congress accepted the President's request in each of those areas. In exchange, we asked that the administration commit itself to funding at $2.4 billion a year for 10 years. An agreement was reached. A commitment was made. It was reaffirmed before this committee by your predecessor, Mr. Ruckleshaus, in 1984. He said, and I now quote Mr. Ruckleshaus:

> There is an agreement with the administration and with the Congress that for 10 years this level of funding at least is a commitment.

It would be harder, Mr. Thomas, to find language more explicitly making a commitment.

Now the administration comes in for the second year in a row and attempts to renege on that commitment. This is a breaking of word, a reneging on a commitment. I must say it's very distressing. It calls into question our ability to work together in any area if, when we reach agreement after hard-fought presentation of competing points of view, both in good faith, that you, then, come back in and seek to renege on that.

My question to you is: do you believe that we fairly interpreted Mr. Ruckleshaus' words as a commitment? If so, what justification is there for the administration to come in now and seek to renege on that commitment?

Mr. THOMAS. Oh, I'm sure your quote is accurate, and I'm sure he meant what he said at the time. This is the fourth year that I've presented a budget before this committee, and this is the fourth year that I have not carried forward with that commitment.

As a matter of fact, we've discussed it each year. As you know, in the context of reauthorization of the Clean Water Act we discussed it at length. In fiscal year 1985, I believe, I was before this committee—I was presenting our proposal for the phase-out of the construction grant program which Congress then went on and incorporated a phase-out of the program into the Clean Water Act, a phase-out which I think is appropriate, particularly the way you have set up the State revolving fund.

At that point in time I was proposing a phase-out which would have cost $6 billion. You explained to me that you thought that wasn't enough. As a matter of fact, we talked about the commitment to which you have referred. I talked about the fact that the administration felt there were major changes in priorities. They did not feel at that point in time that we would be able to carry forward with the commitment that you had with my predecessor, or rather his predecessor, back in 1981.

Six billion dollars was the figure that the administration was prepared to go forward with. You clearly rejected that. I came back after a series of discussions within the administration, and I must say they were fairly extensive and heated discussions, with a proposal to insure that we would fund what I saw as the first priority. This was to move forward with the existing construction projects and complete the secondary treatment requirements that were required by July 1988 in the National Municipal Policy, consistent with the Clean Water Act.

I estimated that a $12 billion phase-out would be needed in order to do that, still consistent with the approach you had laid out for capitalization of State revolving funds toward the end. You indicated in the context of reauthorization of the Clean Water Act that you didn't agree with that.

But it is that $12 billion phase-out which I fought through and which I am presenting to you again—that is the administration's feeling about what we can afford as far as this infrastructure financing program is concerned.

There is no debate between you and me about the need for sewage treatment plants, and I want to see them upgraded. Communities all over this country are making good progress in upgrading them. Many of them, if not most of them, are using funds far beyond the Federal funds that are available.

The issue here is how much can we afford over the next several years. We're suggesting $12 billion; you'd like to see $18 billion. I have worked that issue as hard as I can work it. I don't feel that we can afford more than the $12 billion.

Senator **Mitchell**. Let me just conclude by saying that I do not question—and I don't believe any member of this committee questions in any way—your personal integrity. You're bound to participate and advocate the administration's position.

However, I would just say this: one of the most compelling moments in the Iran Contra hearings was when Secretary of State Shultz told the committee and the country that trust is the coin of the realm in the operation of our Government; that it cannot function without trust. I say to you that if the administration feels free to discard commitments at its convenience, as you in your remarks indicated the very year after the commitment was made, and each succeeding year, to enter into negotiations and reach a compromise and then, before the ink is dry on the compromise, to say we accept those parts of the compromise that are favorable to us, but we now seek to reject those portions of the compromise that aren't favorable to us—it makes compromise exceedingly difficult and it destroys any attitude of trust on both sides.

How can we believe what you say now? How can we trust you to keep a commitment next year that you make this year when you are this year reneging on a commitment made last year?

It just makes the whole process much more difficult. I think it is particularly unwise since you must know that you're not going to succeed.

The Senate last year voted 86-to-14 to override the President's veto. You're not going to get this $1.5 billion. You must in your heart know that. You deal with us every day. Yet, you come in here and risk disrupting the trust, creating an attitude which makes it very difficult to solve other problems, in what is a vain, fruitless, futile gesture.

I just say that, as far as we're concerned, we're going to see to it that you keep your word even if you don't want to. I don't mean you personally; I mean the administration.

Mr. **Thomas**. Senator, as I said, it's a matter of deciding on how much money you can afford for your various big financing programs. This is a big financing program that we've all decided we're going to try to phase out. How much money can we afford? You're not going to be able to pay the whole bill. How much of it can you afford?

As far as the issue of trust is concerned, you and I trust each other. We've been able to work together very well. Because of that, I think we know each other means what he says.

The $12 billion is a figure that I think will meet the highest priorities we've got to meet as we phase out this program. I think it's a figure I can defend.

Now if you end up funding more, my request is that you don't take it out of the rest of my budget.

Senator MITCHELL. You can be sure of that.

Thank you, Mr. Chairman.

Senator BURDICK. Senator Lautenberg.

Senator LAUTENBERG. Thank you very much, Mr. Chairman.

Lee, it's always good to be sitting on the same side of the table as George Mitchell when the questions are asked. I agree with him 100 percent.

The one thing I think is worthy of mention is that as we bring this program to a conclusion, which is the target, then to cut so savagely into the monies allocated to the project makes it even worse. This is a program that certainly has a longer and larger requirement than $18 billion over the years ahead. We see it in all kinds of reports, including the recent report on infrastructure. It's just too bad that as we seek to end it, as we increase the States' ratio of contribution to the program, that we cut it even shorter there. I guess we've discussed it enough.

I'd like to ask you about the Superfund technical assistance grants program. I'd like to take a minute to remind you that it seems that every date EPA has given me for getting this program up and running is slipping. As you know, I authored a directive incorporated into the CR, and it gave EPA until February 5 to get the tag regulation out. Now Win Porter just wrote to the Appropriations Committee indicating that the regulation has been sitting at OMB since February 2nd. He indicates that EPA has been trying to resolve some issues with OMB. Frankly, I don't understand the problem here.

When we authorized this grants program we never envisioned that EPA and OMB would find so many ways to complicate things. We saw it as a simple, straightforward provision. I've heard EPA's reasoning about how tough this has been. I'm not going to ask you to repeat them, but I would simply remind you that Congress intended for EPA to administer this program in an unburdensome, fair, straightforward manner. We didn't attach a lot of strings to the law. We don't want to see your regulations do that, either.

We want to see large numbers of citizens at both proposed and final NPL sites get these grants and get them soon. The goal here is to help citizens understand the complexities of Superfund sites and not to subject them to a complex application process.

Lee, can I ask you to do what it takes to get this regulation out, assure us here that it meets the intent of the Congress, and can you tell me when you might have it in the Federal Register?

Mr. THOMAS. Senator, I think we have pretty well resolved the issues on the regulation. I'd say probably in the next couple of weeks it will be in the Federal Register.

The issue that it really comes down to is that the Technical Assistance Grant program is one where we're going to give up to $50,000 to individual community organizations that live around a Superfund site so that they can go out and hire somebody to provide them with technical expertise. It is one that is a laudable project. It is to ensure that they have the capability to interact with us. Many community organizations felt that they didn't have that and wanted some independent authority.

We're trying to do it in a way that, one, provides the money to those organizations, legitimate organizations that need the money, but, two, doesn't end up with something that's going to be a mess for them and us two or three years from now. In other words, that two or three years from now they don't get an auditor from my office or from GAO, or whoever, all upset with the fact that they misused the money or used it inappropriately and upset with me as well.

So we're setting up the program so that, one, we get the money to them, but, two, we einsure accountability and integrity as far as those funds are concerned—the responsibility that I've got and the responsibility that you make sure I carry out with all the money you give me.

Those are the issues. It's: how do you set up the grant program so that those community organizations—and there are many of them all over this country, as you know, most of which have never had any kind of Federal money come into their organization—use that Federal money in a way that doesn't later on end up with their having problems and our having problems. That's what we've tried to incorporate in that regulation.

Now we've pretty well worked through those issues. OMB has, I think, almost completed the review and we've resolved virtually every issue they've raised. My estimate is—Win Porter may have a better estimate—that by the middle of March we ought to be looking at publishing.

Dr. **Porter**. Yes. Senator Lautenberg, we thought you might bring this up.

We've reached agreement on this. We will have it in the Federal Register, as Lee said, within two to three weeks.

Mr. **Thomas**. That was Dr. Porter, and he indicated that—this is for the record—that we've reached basic agreement with OMB and should have it in the Federal Register in two to three weeks.

Senator **Lautenberg**. Okay. All I would ask is make sure the integrity of the funds are there; that the accounting responsibility is there, but also make it as simple and direct as we can do that. That's excellent and I'm glad to hear that, Win.

The 1989 Superfund request assumes $100 million carryover from 1988. We've got about almost 1,000 sites on the NPL. We know that the needs already exist for this money. Does the failure to get available funds where they are needed suggest major problems in the program?

Mr. **Thomas**. No, I don't think so. We're just talking about running a massive program. A $1.7 billion or a $1.5 billion program is a very, very large program. The $100 million carryover is not an unusual amount of carryover money. It has to do with when money is obligated and when it's not obligated, but it's our estimate as to what we'll carry over into 1989. It may be less; it may be more.

We think that running the program at about $1.6 to $1.7 billion is what's going to be required to do the work in 1989.

Senator LAUTENBERG. There's been enough time at this point for the ramping-up process that we talked about.

Mr. THOMAS. We have done that. You know, we took significant actions to take it from where it was during the slowdown up to the level we've got it now. It's moved up. We had a good bit of carryover money into 1987 and into 1988. The ramping-up process is completed, and we're now running at a rate, I think, that was a pace that was pretty well anticipated by Congress. We're anticipating meeting the start schedule and the RI/FS schedule that was incorporated in the Superfund legislation when you reauthorized it. We're anticipating using virtually all the money that was authorized by Congress for the five-year period of time.

Senator LAUTENBERG. We appropriated $500,000 to initiate the New York Bight restoration plan in 1988, and the new law authorizes $3 million for a 3-year plan. This program should be increasing. The 1989 budget called for cutting it down from $500,000 to $300,000. How are we going to meet the law's deadlines with a reduced budget? Or, are we now saying that we're not going to meet those deadlines?

Mr. THOMAS. We're looking at a 2-year, $800,000 program at this point in time—I mean the $500,000 and the $300,000, as you indicated. There was a slight reduction in the 1989 budget.

There's no backing away from a commitment to deal with the New York Bight and do the study. As far as the deadlines are concerned, I don't know, Larry, whether you've got a specific response to that or not.

Senator LAUTENBERG. We're not going to be able to do it with $800,000 over the life of the program?

Mr. THOMAS. We anticipate more than 2 years dealing with that project.

Do you have a specific response related to the deadlines on the New York Bight study?

Mr. JENSEN. Yes. We're still anticipating meeting the deadline and making it up in the next year.

Senator LAUTENBERG. The 3-year deadline to have a final program in place?

Mr. JENSEN. Yes, that is the current plan.

Senator LAUTENBERG. Well, because it calls, again, for $3 million—now if you're talking about $300,000 this year, $500,000 next year, are we talking about in the final year a $2.2 billion program to meet the 3-year target?

Mr. JENSEN. It's not clear yet that we'll require that much money to do it, but that is what the plan would be to meet the schedule.

Senator LAUTENBERG. I just want to ask you about something that affects the New Jersey coast. The Water Resources Act requires EPA to close the mud dump site and find a new site at least 20 miles from the coast. The deadline for that closure is December this year. Is that deadline going to be met?

Mr. THOMAS. No, I don't think that deadline is going to be met. We are working and do have funding to go forward with the work on developing an alternative site. We have been working with the Corps of Engineers. We've been working with New York authorities on that mud dump site, but I don't think that deadline is going to be met.

Again, Larry, do you have anything to add to that?

Senator LAUTENBERG. Does he get all the bad deadline questions?

Mr. THOMAS. Well, he gets all the water deadline questions.

Mr. JENSEN. Senator, we don't anticipate meeting the deadline for the mud dump site. I think we'll slip perhaps as much as 18 months. We've looked at a range of alternatives for doing that, trying to find the one that would be most cost-effective. Even at that, we anticipate that that deadline will slip.

Senator LAUTENBERG. It was our understanding when we wrote that requirement that that was the deadline that could have been met; is that not the case?

Mr. THOMAS. That wasn't my understanding.

Senator LAUTENBERG. It was not your understanding that we had an 1989——

Mr. THOMAS. It was my understanding that that's when you wanted us to meet it, but it was not my understanding we could meet it. I got into the middle of it in the course of last year trying to look at where we were going to get funding to do the work, to deal with the alternative site, and what things we were not going to fund in order to do the work on this site.

Senator LAUTENBERG. I would urge you to step up the process there. It's a distressful condition. Lots of people who are on our coast—and, you know, our coastline has been assaulted by pollution and contamination over these last several years, and this is one that raises everybody's concern because the question is what kind of material is being dredged up and dumped there.

I thought that we had an understanding. I don't know whether anything came from your office that said that the 1989 deadline could not be met before this public hearing.

Mr. THOMAS. We have had a good bit of conversation over the last number of months with Congressman Howard related to the mud dump site. We've had a good bit of conversation with New York Port Authority out of our Region II office related to it.

We're committed to going forward and dealing with that mud dump site, and I regret we're not going to meet that deadline. It is evidence, though, of the fact that we're having to make pretty tough choices among all the things we've got to do within the agency.

Some of the funding, for instance, that we're using in that was a result of not going forward to deal with some of the issues associated with ocean incineration.

Senator LAUTENBERG. Let me just ask one last question here: the right-to-know area, the budget suggests that EPA expects about 300,000 title III emissions inventory reports in 1988. Title III increases the number of covered facilities and the number of reports in 1989. But your toxic budget holds title 3 enforcement manpower constant at 11 full-time equivalents. With that size staff, is it reasonable to expect that these hundreds of thousands of emission reporting forms have been filled out correctly, and can so few people enforce an active program of this magnitude?

Mr. **Thomas**. Clearly, those 11 people are not going to go out and check those forms. The title III program is a massive program, as you know, for reporting. Actually, I feel proud of the fact that the staff and the States moved forward to implement title III as well as they have.

The reporting process under section 313 of title III which is going to kick in this July is a very significant event. As you indicated, we're anticipating approximately 300,000 forms. What we have worked on first is to get out the regulation which laid out the form that would be required. We now have the Toxic Release Inventory form out there for people to use to ensure consistent reporting.

Secondly, we have what we believe to be a good quality control process, We've set up an information systems capability to manage the data as it comes in, to work with the States to share data, and to have the data available to the public within six months, as required by law.

We think that we've made good progress in getting that whole part of the program set up. The enforcement part of the program we think is one that is going to require increasing attention on the part of the Agency. We would like to see more of a shared responsibility with the States as far as enforcement is concerned, but it's very difficult at this point to determine how much of an enforcement problem we have. I think the first big problem we're going to have is not basic reporting; it is a massive problem of working on quality control and quality assurance of all the data that's going to come in.

If we can get the 300,000 forms that are coming to us processed, and enter quality data on the public data base so that when we provide that information to the public over the course of the next year it's useful for them, I think we will have made a tremendous advance on title 3 implementation.

Senator **Lautenberg**. Thanks very much, Mr. Chairman. I'll submit some other questions later to which we would like to get a response.

Senator **Burdick**. Senator Pressler.

OPENING STATEMENT OF HON. LARRY PRESSLER, U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator **Pressler** Mr. Chairman, thank you. I shall submit my questions for the record since I have some constituents waiting. I also have a statement for the record.

Senator **Pressler**. Last year during the committee's consideration of the Clean Air Act I asked a question about the cost of all the new programs and requirements for EPA that the bill would establish. The response to my question was that we are an authorizing committee and the Appropriations Committee would have to determine how to fund the programs.

My point at the time was that if we continue to require EPA to do more studies, set more standards, and many other things, we must consider how EPA is going to meet these new requirements without additional funds. The budget request we have before us illustrates the problems created by authorizing and requiring new programs without providing funds.

EPA and the Appropriations Committee must make a choice between many good and worthwhile programs to spend limited funds. For example, today we will hear complaints about no funding for the asbestos program and not enough funding for the clean water program. These are tough choices.

We, as an authorizing committee, could give more consideration to these problems when we consider new authorizing legislation.

[Senator Pressler's written statement follows:]

OPENING STATEMENT OF HON. LARRY PRESSLER, U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Mr. **PRESSLER**. Mr. Chairman. Thank you for scheduling these hearings on the FY 1989 proposed budget for the Environmetnal Protection Agency. It is critical that authorizing committees periodically look at the available funds for various programs and problems created by authorizing new programs without providing funding.

Last year, during the committees consideraiton of the Clean Air Act, I asked a question about the cost of all the new programs and requirements for EPA that the bill would establish. The response to my question was that we are an authorizing committee and the appropriations committee would have to determine how to fund the programs. My point at the time was that, if we continue to require EPA to do more studies, set more standards and many other things we must consider how EPA is going to meet these new requirements without additional funds. The budget request we have before us illustrates the problems created by authorizing and requiring new programs without providing funds. EPA and the Appropriations Committee must make a choice between many good and worthwhile programs to spend limited funds. For example, today we will hear complaints about no funding for the asbestos program and not enough funding for the clean water program. These are tough choices. We, as an authorizing committee, should give more consideration to these problems when we consider new authorizing legislation.

Mr. Chairman, I look forward to hearing Mr. Thomas's testimony.

Senator **BURDICK**. Thank you.

As you know, Mr. Thomas, many of us believe that the letter of credit policy which is contained in the Clean Water Act is completely inconsistent with the provisions of last year's amendments. It is my understanding that the agency is considering limiting exceptions to the policy to cases where a State's ability to leverage funds would be particularly affected. Can you tell us something about the policy in that regard?

Mr. **THOMAS**. The letter of credit issue, on the setting up of State revolving funds, is one that has been discussed and debated at length over the last year. It clearly is an attempt to satisfy the requirement of the Clean Water Act, which is to let the States move forward with the establishment of State revolving funds, but at the same time, address the difficult problem we've got with outlays in the budget deficit.

We have fashioned a letter of credit approach that we feel will allow the States to move forward with setting up State revolving funds, and leverage those funds, with the exception of one thing: they will not be able to have cash in the bank and draw interest. That clearly has been stated up front from the beginning.

We also have incorporated into our State revolving fund guidance an opportunity for States that feel they are inhibited from full leveraging by the letter of credit policy to come in for broader authority under our guidance.

I feel like we've made significant improvement on trying to get a letter of credit policy that is workable and one that will provide the States the flexibility they need. I think that the States will be able to move forward and not only get their State revolving funds set up, but use them effectively.

Senator BURDICK. When will these exceptions have to apply?

Mr. THOMAS. Well, the guidance is generally out. As a matter of fact, we've got a number of States that are requesting capitalization grants this year. I think it's between 10 and 12 States that anticipate a grant this year. The governor has the option to go forward and get a cap grant this year. So they will use the letter of credit guidance this year.

If they want to go beyond that guidance—in other words, try to get a broader exception on letter of credit—they will come in on a case-by-case basis. It's laid out in the guidance as to how that can be done.

But we don't anticipate a major problem with the 10 or 12 States that want to move forward with their State revolving fund capitalization grants this year.

Senator BURDICK. On the subject of asbestos in schools, does the agency believe that the schools can fully implement the AHERA program without continued loan and grant support?

Mr. THOMAS. The issue of whether the local school districts around the country are going to go forward with implementation of AHERA, the asbestos legislation that was passed last year, and whether the loan and grant program is a requirement of that, are really almost two separate issues. The loan and grant program is clearly not sufficient to meet the need as far as schools are concerned to deal with asbestos abatement. The need represents a lot more money than would ever be incorporated in that grant program.

The issue is whether the Federal Government should pay for a piece of the asbestos program that the local school districts are implementing. Many of them are implementing very large programs.

We feel that the way to go forward as far as the Federal effort is concerned is to put funding into strong technical assistance, training, and a certification program for inspectors and abatement workers to assist the States in meeting the conditions of AHERA. We don't feel that it is appropriate to try to set up a grant program to assist a limited number of school districts.

Now aside from that, I think there are significant concerns on the part of a number of school districts about meeting the requirements of AHERA regardless of whether there's any money available from the Federal Treasury or not. Congress incorporated very stringent deadlines into that legislation. A number of school districts are indicating that they've got major problems dealing with those deadlines. They literally don't think they can meet the deadlines even with a super-human effort. On the other hand, we're assessing the issue from our point of view, and we haven't reached the same conclusion.

Legislation has been introduced on both the Senate side and the House side which would change those deadlines. I think over the course of the next couple of months we're going to have a good bit of discussion about that.

I don't think that the issue AHERA requirements is at all related to whether or not there's a Federal funding mechanism for grants. It is a far bigger issue than that. It's an issue of whether the schools can meet the deadlines, given the number of people that are out there to do inspections; whether they can meet them given the amount of money that's going to be required, which is far beyond anything we're talking about as far as the grant program is concerned.

Senator **Burdick**. The human adipose tissue survey, a program that measures human exposure to toxic chemicals, was targeted for termination last year but spared in the appropriations process. Do you request funds to maintain this program in fiscal year 1989?

Mr. **Thomas**. Yes. Funds are requested to continue the adipose tissue survey.

In addition to the adipose survey there has been consideration given in the past to incorporating blood as a component of the human monitoring program. We are going to take a look at the adipose and blood surveys over the course of this year and use some outside expertise in helping us to identify which components should be continued.

Based on the briefings I've had I feel that the major components of the adipose tissue survey should be continued. But we're going to examine the issue more closely this year in conjunction with a review by outside experts. Fiscal year 1989 does include funding to continue the adipose tissue survey, as does our 1988 operating program.

Senator **Burdick**. On an North Dakota matter, EPA has been providing technical assistance and Superfund resources to address an arsenic contamination problem in Lidgerwood, North Dakota. Can you give me an estimate as to when the work will be complete and the city will be reimbursed for its expenses?

Mr. **Thomas**. As you indicated, we have been working on a Superfund site there. It includes drinking water contamination issues, and it includes drinking water system modifications in Lidgerwood. We anticipate both in 1988 and 1989 that work will go on as far as that project is concerned, probably a large part of the work in 1989. Money is incorporated in the budget for that work.

One issue that is outstanding now is whether some of the work that has been done by Lidgerwood on their water system is reimbursable under Superfund. We feel it is, but the exact amount is subject to an audit by our auditor's office. That will be conducted this year.

Senator **Burdick**. Some work will be going forward this year?

Mr. **Thomas**. There will be some work that we'll continue to do on the project this year and then large work next year.

It's in the design phase, which means that we are anticipating the remedial action phase next year, which is where the majority of the money will be spent.

Senator **Burdick**. Thank you.

The Senator from Maine.

Senator **Mitchell**. Thank you, Mr. Chairman.

Mr. Thomas, I'd like to ask some questions about the Clean Air Act. As you know, this committee has reported out by a vote of 14-to-2 legislation which would amend the Clean Air Act. One title of that legislation deals with acid rain. This is the 8th year of this administration and, therefore, the question I'm about to ask you I've asked in each of the previous 7 years of you and your predecessors.

I understand the position of the administration to be that no legislation is needed because more research is required. As a consequence of that policy, we have had more research during the previous 7 years, dozens and dozens of studies which have added to our knowledge of the subject, and which I would argue make even more clear the need for legislation.

I don't believe this is the appropriate forum for us to debate the merit of that conclusion, but I want to ask you the same question I've asked you before. I might interject that when I was learning how to try cases I was told that in cross examination never ask a question until you know the answer. I don't think I've ever asked a question of which I'm more certain of what the answer will be than this one.

But I've asked each year: since it is the administration's policy that we ought not act until more research provides the answers to additional questions, if you are able to specify for us what questions you believe remain to be answered and provide us with a specific date on which you believe it will be possible to make a judgment on whether or not we can go forward—I say that recognizing that there's less than a year to go in this administration and it is rather clear that the policy of deferring action in the name of more research will continue through this administration. But I know you'd feel let down if I didn't ask you the question.

Mr. THOMAS. I would have been sorely disappointed.

Senator MITCHELL. I wonder if you could provide us with an answer to that question.

Mr. THOMAS. Senator, we are moving forward, as reflected in the budget, actually coming to a conclusion on the 10-year research program that Congress authorized in 1981. The program, as you've said, has continued to provide a significant amount of information as far as acid rain is concerned. The policy of the administration has been that we didn't think additional controls beyond those incorporated in the Clean Air Act should be imposed for sulfur dioxide or for other pollutants unless there was an indication that additional controls were needed.

I don't think there has been any indication that additional controls are needed coming out of that research. We've had a lot of information that came forward last year, a lot more information coming forward this year, and it will come forward next year as we conclude this research program.

As a matter of fact, scientific information seems to be indicating that maybe our early identification of sulfur dioxide as our primary problem might have been misplaced. It's a broader problem than sulfur dioxide as far as the kinds of issues we're dealing with. Oxidants are a part of it, as is nitrogen oxide. We find that the ratios of nitrogen oxides and volatile organic compounds have a major impact on what pollutant should be reduced.

As a matter of fact, I was recently looking at what would be the impact of significant reductions of nitrogen oxide on the Northeast and found that ozone levels actually increase rather than decrease as a result of that nitrogen oxide reduction. Ozone also interacts with these acids, and we have a problem that is very complex as far as the chemical and photochemical process is concerned, particularly in the Northeast.

I would say that as far as the research program is concerned, you will see additional answers come out this year just as you did last year. You may not like those answers. You didn't like some of them last year. But they are providing us basic information, I think, to answer the question: is any additional control necessary beyond that already required under the Clean Air Act, which has been very significant as far as reduction of air pollutants is concerned? If it's required, which air pollutants and where do we require controls in order to have an impact? Those are exactly the kinds of things that are being dealt with by the research program we're conducting.

Senator MITCHELL. I take it that you don't have a specific date for——

Mr. THOMAS. Last year.

Senator MITCHELL. Last——

Mr. THOMAS. Last year. Last year we got a significant amount of the answer. The conclusion I drew at that time is that additional reductions were not required.

Senator MITCHELL. I see.

Mr. THOMAS. However, I believed additional information was going to be available to me this year, and I would answer the question again. I think additional information will be available next year.

Senator MITCHELL. I see.

Mr. THOMAS. And you'll have to answer the question again. I think it is a continuing process of assessing what do we know and what kind of controls are or are not required.

Senator MITCHELL. I think that's a very significant response. What you've just said is that you've concluded last year that the research has progressed to the point where no acid rain legislation is necessary.

Mr. THOMAS. That's right. As you recall——

Senator MITCHELL. Do you know whether or not the President communicated that to Canadian Prime Minister Mulroney last year?

Mr. THOMAS. That no additional legislation was required?

Senator MITCHELL. Yes; and that it's no longer a question—I must have misunderstood you last year because I did not understand you to say that. What you're saying is that it is not a question of additional research to get more information on which to base a judgment. What you're saying is that you have enough information and you've made a judgment, and of course now you're saying that you want more information and to review it in the future. But you've made a judgment now that no legislation is necessary.

Mr. THOMAS. Senator, it might be——

Senator MITCHELL. Is that a fair statement?

Mr. THOMAS. It might be a question of semantics——

Senator MITCHELL. Yes.

Mr. THOMAS. Or misunderstanding, but what I said last year and what I'm saying this year is that I reached the conclusion last year, and I've reached the conclusion this year, that we don't need additional legislation to require the reduction of air pollutants associated with acid rain.

Now I might reach a different conclusion next year as a result of information provided by the research program that's underway, but clearly I reached that conclusion this year. You and I had an interchange, as we discussed the Clean Air Act, and I explained why I did not think that acid rain components should be incorporated in it.

Senator MITCHELL. Well, I would just say that once and for all the Canadian Government ought to understand what the position of the administration is, and you've made it very clear here today. I don't know how in good conscience the Canadian Government can continue to suggest that there is some prospect of getting agreement with the administration to have reductions of air emissions through legislation. It just obviously isn't going to happen. I think it's distressing.

I want to make clear I believe we need action to control air emissions based upon the adverse effects within this country; that I do not premise my argument on the need for legislation or our relationship with Canada. I think that's an additional argument.

But I think it is clear, and you could not have been more clear than you have been.

I'd like to go on to another subject in that regard. In April of 1986 you said that additional monitoring to determine the effects of the start up of the Mexican smelter at Nacazari was unnecessary because there was a program that would conduct such monitoring known as IMPROVE. However, in January of this year you notified the Park Service that there would be no more funding for the IMPROVE program, which of course will effectively shut it down.

So we accepted your refusal to fund the monitoring because there was an existing program which you are now terminating the funding for. My question is: can you tell us whether you have any plans with respect to providing monitoring of the effects of that smelter?

Mr. THOMAS. We did not terminate the program.

Senator MITCHELL. You didn't?

Mr. THOMAS. The money was restored in the 1988 budget. It was a component of the reductions I was looking at when I was looking at the reductions that Congress asked me to take in my 1988 operating plan. However, that's not one of the ones that I'm going to take.

Senator MITCHELL. Well, that's fine. That's very good news, and I'm sure that the Park Service will be happy to hear that.

Mr. Chairman, I would like to ask one more question, if I might, and I'll submit all the others in writing.

As you know, the GAO completed a report in January of this year and one of the subjects to be evaluated was the process used by EPA for determining out-of-State pollution sources, the sole-competition process with which you are familiar.

Since 1977 there has been a process by which the Clean Air Act allows a State or a political subdivision to petition you for assistance when the State suspects that industrial sources in another State prevent it from achieving and maintaining an air quality standard. The EPA promulgated criteria for evaluating these petitions, one criterion of which was that the petitioner had to specifically identify the out-of-state source which prevented the petitioning State from achieving its own standards.

Now I'd just like to read you a short paragraph from the GAO report and then ask you a question about it. GAO said that,

> EPA's petition process does not appear to be viable for resolving interstate pollution claims relating to ozone. Ozone is a secondary pollutant that is not emitted directly from factory smokestacks or automobile tailpipes, but is created in the atmosphere often miles from the emitting sources. Consequently, ozone's formation cannot be traced to exact sources. Therefore, one EPA criterion for a successful petition, the identification of the exact source causing ozone, cannot be met. In this regard, EPA and State officials said that it is almost impossible to file a successful ozone petition.

My question is whether or not you would, if you have not already done so, either personally or through someone on your staff to whom you'd delegate the task, reviewed the GAO study and report to this committee on any recommendations you might have for making the petition process viable with respect to this particular problem.

Mr. **Thomas**. I'd be glad to, Senator, but I can tell you right now I don't think that process is the way to deal with the problem you just laid out. The problem you just laid out, as accurately described by GAO, is a scientific problem. We are dealing with ozone which is created by other pollutants in sunlight over time, so we're dealing with a summer problem.

The way I believe we need to deal with that is we need to be able to have a little additional authority, I think, under the law to expand our designation areas as far as non-attainment is concerned, so that we can take into account a broader range of sources.

As a matter of fact, under the policy I propose, even within the existing law, I identified for ozone that I could deal with about 90 percent of the sources of pollutants, for instance, in the Northeast for ozone. I think we could pick up the additional sources. Generally, you're talking about within a hundred miles as to where your primary sources are—a 100-mile transport region generally covers the primary sources of pollutants on ozone; no further out than about 300 miles. One hundred miles is where most sources are.

I think the idea of a petition because of the fact that it is very difficult to identify where that ozone comes from—in other words, who are the people in Philadelphia going to petition, the people in Richmond or the people in Washington, D.C., or Baltimore? It's almost impossible to predict where it came from. What State do you petition?

What we ought to do is insure that the sources in that broad area are incorporated as far as our control program is concerned. I think we do have enough scientific information. I think particularly over the next year or two it's going to improve. Particularly in the Northeast corridor, we can pretty well identify what that corridor of control should be. It's not the entire corridor. We can pretty well identify the majority of it. If we have the authority, then, to designate that area, some of which is now designated as attainment, as a non-attainment area for control, I think we'll deal with the transport problem you're getting at on that petition.

Senator **Mitchell**. Of course, you know, in the legislation that this committee approved we include a regional concept which you oppose.

Mr. **Thomas**. Well, I don't disapprove the concept. I disapprove the way you went about implementing it.

Senator **Mitchell**. You mean you disapprove?

Mr. **Thomas**. I don't disapprove the concept.

Senator **Mitchell**. Yes, you disapprove the way we went about it?

Mr. **Thomas**. Yes. Yes. What you did is you took a very broad area. I don't think it has to be that broad. I think we've got some better scientific information for designating how much needs to be in this transport area.

I also don't agree with the fact that you, across the board, require people in that transport area to put on certain controls. I think we can target that more effectively.

I agree with the idea that the Northeast is the primary area we have to worry about as far as transport is concerned. I think with some slight change in the law we can deal with it.

Senator **Mitchell**. Would you submit in writing to me and the committee your specific suggestions on that, because I'd welcome those? We'd like to make this a workable concept. If you have suggestions on modifying the scope of the area and the mechanism for dealing with the problem within the area, we'd welcome that and we'll certainly consider making modifications in legislation to accommodate——

Mr. **Thomas**. I'd be pleased to do that.

[The additional information requested follows:]

OZONE TRANSPORT

The most important changes in the law which would be helpful in dealing with the ozone problem would be amendments which clarify EPA's authority to implement the post-87 ozone strategy proposal in the Federal Register on November 24, 1987. Specifically, this approach would call for the designation as non-attainment for planning purposes of large geographic areas, corresponding to Metropolitan Statistical Areas (MSA) or, where applicable, Consolidated Metropolitan Statistical Areas (CMSA). Additional consideration in planning for emissions inventories or reduction would be given to major stationary sources within 25 miles of an MSA/CMSA. These provisions should result in a larger percentage of emissions in the Northeast Corridor being considered for control.

However, we agree that even with these measures, non-attainment may continue to be a problem in some areas due to pollutant transport from upwind areas especially in the Northeast Corridor. For this reason, our policy indicates that if sufficient data exists that demonstrates that emissions from stationary sources in an upwind state are preventing attainment in a downwind state, the Agency will use its authority under Section 110 (a)(2)(H) to call for SIP revisions to address those emissions. The Agency, together with States in the Northeast Corridor, has initiated a three-year program to analyze transport in the Northeast Corridor by applying the Regional Oxidant Model (ROM) to the area. This analysis should yield information and insights not currently available which will help in better understanding the transport problem.

Senator **Mitchell**. Mr. Chairman, I've got a number of other questions, but I know Senator Warner is here, so I will defer to him and submit my other questions in writing.

Senator **Burdick**. Senator Warner.

Senator WARNER. Thank you, Mr. Chairman.

Mr. Thomas and Mr. Barnes, first I would like to express appreciation on behalf of myself and my State and those who work with me in my office and elsewhere for the cooperation that you personally have given, and your principal deputies and others, throughout the course of this past year.

I think you've got one of the toughest jobs in the Nation's capital and in our whole Federal structure. I personally think you do a very credible task in trying to fulfill your responsibilities.

I'd just like to ask a general question to lead off. The President worked out a compromise with the Congress respecting the budget and, indeed, we knew the big pieces of the budget—the Defense and so forth—at the time the compromise was worked out, but I would be interested in how a relatively small agency fared like yours under that process.

Mr. THOMAS. Well, it resulted, I think, in a tough budget process. Clearly, we were all working within constraints. But I think I came out fairly well. My operating budget, for instance, is up about 3 percent. My Superfund budget is up about 5 percent. The great debate is over the construction grants program. But actually that was an issue that within the administration we settled a little over a year ago as far as how we were going to try to go forward on the appropriations side.

Overall, I felt like we came out fairly well as far as the operating budget is concerned under that agreement, but really the agreement drove to a large extent how we would go forward and fashion that budget.

Senator WARNER. Well, I think that's an encouraging report because other departments and agencies did not fair as well as yours.

You've covered a number of subjects this morning. Therefore, I will not be repetitive. There's one that's of great interest to a number of the members of the Senate, particularly myself, and that's the Chesapeake Bay. This is a goal that we set about to clean up that bay and restore it as best we can so that it has many, many beneficial uses, not only for recreational, but industrial and all sorts of things. We're making some progress under that.

Of particular interest to me are the commitments that you've made for the nutrient and toxic reductions. You're familiar with that area.

Now a specific question: the President's budget, which you covered here momentarily, requests $1.5 billion for the Clean Water Act construction grants program. Last year's appropriation was $2.3 billion. There is quite a contrast in dollars there by way of a reduction.

What's the impact of this reduced amount on the cleanup of the Chesapeake Bay program?

Mr. THOMAS. First, Senator, I agree with you on the importance of the Chesapeake Bay clean-up program and, as you know, I participated in signing the 1987 Chesapeake Bay Agreement with the other participating States and the District of Columbia.

I think we are making very good progress on implementing the agreement. Yesterday there was a meeting to review its status activities to reach the 1988 Commitment OK for the most part on schedule with a series of tough deadlines this year.

The primary issue is the goal that we set for a 40 percent reduction in nutrients by the year 2000. We are in good shape as far as construction grants are concerned because the States—Pennsylvania, Maryland, and Virginia—have actually committed over the last several years, to a significant amount of money for construction grants. Pennsylvania has——

Senator **Warner**. I would want to credit my State under the leadership of the current Governor Baliles. I think he has stepped up to meet this challenge.

Mr. **Thomas**. He really has. He has taken a very strong leadership position on Chesapeake Bay and he is moving forward with his commitment.

I believe the $1.5 billion suggestion that we have got for the construction grants appropriation will not back away from the overall commitment to move ahead towards meeting the 40 percent nutrient reduction goal by the year 2000. The majority of the funds that will be required will be State funds. Point source discharges are not going to be a major effort. However, nonpoint source programs will be a major effort.

The type of assistance that will be provided by the States are pilot efforts, all of which will be incorporated into this budget. I believe we are still fully committed to the Chesapeake Bay agreement. All of the Chesapeake Bay States are moving forward with their implementation efforts.

We also recently had a review with all of the Federal agencies which are committed to dealing with the Chesapeake Bay, and our commitment is still very strong. We are moving forward with development of the detailed plans required for each of the Federal agencies on the Chesapeake Bay.

Senator **Warner**. That I think is encouraging.

Does it mean that it will take a much longer period, then, to restore the bay?

Mr. **Thomas**. I don't believe it will. The commitment that was made by each of the States and by the Federal Government was a commitment to a goal. It was not tied to a specific funding level under our construction grants program.

As I indicated, each one of the States made that commitment with the full knowledge that it was going to require a significant amount of commitment and funding on their part to carry forward with it, and I don't see any diminishing of that commitment.

Senator **Warner**. Let me just ask one last clarifying question. Does the reduction also impact the amount of funds available to States for their nonpoint source initiatives?

Mr. **Thomas**. It does in this respect: a certain amount of the funding under the new Clean Water Act is now available for discretionary uses in the States for nonpoint source funding. Therefore, the overall amount of the appropriation determines how much is available for discretionary uses for nonpoint source programs. As that funding goes down, then clearly the amount of money available for nonpoint source would go down.

On the other side of the equation, there is additional flexibility built in if the States want to use those funds for nonpoint source that were not built in under the last authorization we had for clean water.

I believe you will see that the majority of States are going to deal with nonpoint source pollution with activities beyond just funding. It is going to require land use controls. You see, for instance, the State of Virginia moving forward with legislation this year in their legislature. The State of Maryland moved forward with critical areas. Those are the kinds of laws that I think States are going to have to put in place.

Nonpoint source pollution is an issue that goes far beyond what kind of money is available. I think the States are stepping up to it, but I think money is going to be a part of the equation. I think that State funds, as well as the money under construction grants authorization, will be available to deal with the funding needs.

Senator **Warner**. I think you, Mr. Thomas.

I thank the Chair.

Senator **Burdick**. Mr. Thomas, I thank you and your assistants for your testimony here this morning. We look forward to meeting you again.

At this time the meeting will be adjourned.

[Whereupon, at 11:55 a.m., the committee recessed, to reconvene at the call of the Chair.]

[Mr. Thomas' written statement and responses to additional questions follow:]

STATEMENT OF LEE M. THOMAS, ADMINISTRATOR
U.S. ENVIRONMENTAL PROTECTION AGENCY
BEFORE THE
SENATE COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
MARCH 2, 1988

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: I APPRECIATE THIS OPPORTUNITY TO DISCUSS THE PRESIDENT'S 1989 BUDGET REQUEST FOR THE ENVIRONMENTAL PROTECTION AGENCY.

THIS BUDGET REQUEST PROVIDES FOR GROWTH IN PROGRAMS THAT ARE VITAL TO MEETING THE MOST CRITICAL ENVIRONMENTAL CHALLENGES FACING EPA. IN DEVELOPING OUR 1989 BUDGET, WE HAVE DIRECTED RESOURCES TOWARDS PROGRAMS I BELIEVE WILL HELP US MEET THESE SIGNIFICANT CHALLENGES AND DEMONSTRATE OUR PUBLIC COMMITMENT TO ENVIRONMENTAL PROTECTION. WE HAVE BUILT EPA'S BUDGET ON THE FOLLOWING FOUR THEMES:

- DIRECT RESOURCES TO MEET EPA'S STATUTORY RESPONSIBILITIES AND EMERGING ENVIRONMENTAL PRIORITIES.
- EXPAND EPA'S COMMITMENT TO RESEARCH AND DEVELOPMENT PROGRAMS THAT SUPPORT OUR REGULATORY EFFORTS.
- CONTINUE OUR ESSENTIAL PARTNERSHIP WITH THE STATES.
- UNDERTAKE LONG-TERM AND PERMANENT REMEDIAL RESPONSE ACTIONS AT SUPERFUND HAZARDOUS WASTE SITES.

OVERVIEW

IN 1989, OUR **TOTAL DOLLAR REQUEST** IS ALMOST **$4.8 BILLION.** IN OUR **OPERATING PROGRAMS** WE ARE REQUESTING **$1.6 BILLION AND 11,730 WORKYEARS**. IN **SUPERFUND,** WE ARE REQUESTING **$1.6 BILLION AND 2,750 WORKYEARS**. WHEN WE INCLUDE ANTICIPATED FUNDING FROM PRIOR APPROPRIATIONS, OUR TOTAL SUPERFUND PROGRAM IN 1989 WILL BE APPROXIMATELY $1.7 BILLION WHICH IS $200 MILLION OVER OUR PLANNED PROGRAM IN 1988. FUNDING FOR THE **LEAKING UNDERGROUND STORAGE TANK** (LUST) PROGRAM TOTALS **$50.0 MILLION AND 90 WORKYEARS**. COMBINED FUNDING FOR ALL OF THESE PROGRAMS --- OUR OPERATING PROGRAMS, SUPERFUND, AND LUST --- REPRESENTS AN INCREASE OF $159 MILLION OR FIVE PERCENT ABOVE OUR 1988 LEVEL.

THE PRESIDENT'S BUDGET ALSO INCLUDES **$1.5 BILLION** FOR THE **CONSTRUCTION GRANTS** PROGRAM TO BE DIVIDED EVENLY BETWEEN CONSTRUCTION GRANTS AND STATE REVOLVING FUNDS. THIS REQUEST, WHEN COMBINED WITH PREVIOUS APPROPRIATIONS, IS CONSISTENT WITH THE ADMINISTRATION'S $12.0 BILLION PHASE-OUT PLAN.

I WOULD LIKE TO ELABORATE FURTHER ON THE KEY INITIATIVES THAT ARE CENTRAL TO THE PRESIDENT'S 1989 BUDGET REQUEST FOR EPA.

MEETING EPA'S STATUTORY REQUIREMENTS

IN 1989, WE WILL EMPHASIZE OUR EFFORTS TO MEET EPA'S STATUTORY RESPONSIBILITIES. I HAVE DIRECTED RESOURCES TO MEET THE MOST CRITICAL CHALLENGES FACING EPA.

WE WILL CONTINUE TO FOCUS ON THE IMPLEMENTATION OF OUR REQUIREMENTS UNDER THE REAUTHORIZED CLEAN WATER ACT. WE HAVE PROVIDED INCREASES FOR PROGRAMS THAT WILL PROTECT OUR MOST VALUABLE WATER HABITATS, ESPECIALLY WETLANDS AND NEAR COASTAL WATERS. WE WILL ALSO INCREASE OUR EFFORTS TO CONTROL DISCHARGES OF TOXIC AND HAZARDOUS POLLUTANTS AND PROVIDE ADDITIONAL TECHNICAL ASSISTANCE TO STATES.

IN OUR AIR AND RADIATION PROGRAMS, THE 1989 BUDGET DIRECTS RESOURCES TOWARDS MEETING THE REQUIREMENTS OF THE NATIONAL OZONE AND PARTICULATE MATTER (PM_{10}) ATTAINMENT STRATEGY. WE WILL ALSO INCREASE OUR EFFORTS TO REDUCE THE RISK FROM RADON GAS AND CONTINUE OUR EFFORTS TO DEVELOP NATIONAL AND INTERNATIONAL SOLUTIONS TO THE PROBLEM OF STRATOSPHERIC OZONE DEPLETION.

OUR EFFORTS IN THE HAZARDOUS WASTE PROGRAMS WILL EMPHASIZE WASTE MANAGEMENT REGULATIONS, GUIDELINES IMPLEMENTATION, AND CORRECTIVE ACTIONS TO PRODUCE A COMPREHENSIVE APPROACH TO THE NATIONAL PROBLEM OF HAZARDOUS AND SOLID WASTE DISPOSAL.

IN THE PESTICIDES PROGRAM, WE ARE REQUESTING $60.0 MILLION TO ENSURE THAT EPA IS ABLE TO TRANSPORT, STORE, AND DISPOSE OF CANCELLED AND SUSPENDED PESTICIDE PRODUCTS THAT ARE THE RESPONSIBILITY OF THE FEDERAL GOVERNMENT.

WE HAVE INCREASED SUPPORT FOR STATE COOPERATIVE AGREEMENTS IN THE LEAKING UNDERGROUND STORAGE TANK (LUST) PROGRAM IN 1989 WITH AN INCREASE OF $10.1 MILLION. THROUGH THESE AGREEMENTS EPA WILL CONTINUE TO FUND DEVELOPMENT OF STATE PROGRAMS TO RESPOND TO THIS IMPORTANT ENVIRONMENTAL PROBLEM AND WILL TARGET RESOURCES TO EXPAND THE NUMBER OF RESPONSE ACTIVITIES AND CLEANUPS IN STATES WITH HIGHLY DEVELOPED PROGRAMS.

IN 1989, IN COOPERATION WITH THE STATES, EPA WILL CONTINUE TO AGGRESSIVELY ENFORCE OUR ENVIRONMENTAL REGULATIONS. OUR ENFORCEMENT EFFORTS WILL SUPPORT STATE ENFORCEMENT PROGRAMS AND MAINTAIN A VIABLE AND HIGHLY EFFECTIVE CRIMINAL INVESTIGATIONS PROGRAM.

WE ARE ALSO TAKING STEPS TO ESTABLISH A PROGRAM TO ENCOURAGE PRIVATIZATION OF ACTIVITIES THAT CAN BE MORE EFFICIENTLY OPERATED BY THE PRIVATE SECTOR. AN EXAMPLE OF THIS APPROACH IS THE CONSTRUCTION GRANTS PROGRAM WHERE THE STATE REVOLVING FUND WILL ENCOURAGE PRIVATE CONSTRUCTION AND OPERATION OF SEWAGE TREATMENT PLANTS THAT ARE LESS COSTLY AND CAN BE CONSTRUCTED MORE RAPIDLY.

WE ARE ALSO NOT REQUESTING FUNDING FOR THE ASBESTOS LOANS AND GRANTS PROGRAM SINCE PREVIOUSLY APPROPRIATED FEDERAL FUNDING HAS ALREADY SUBSTANTIALLY REDUCED THE ASBESTOS -IN-SCHOOLS PROBLEM. FURTHERMORE, MANY STATES HAVE INITIATED ACTIVE ASBESTOS MANAGEMENT OR CONTRACTOR ACCREDITATION PROGRAMS AND SHOULD BE ABLE TO CONTINUE THESE EFFORTS. OUR EFFORTS IN THE ASBESTOS PROGRAM WILL BE TO MAINTAIN OTHER PROGRAMS DESIGNED TO ADDRESS ASBESTOS HAZARDS IN SCHOOLS. IN 1989, EMPHASIS WILL BE PLACED ON PROVIDING ASSISTANCE AND GUIDANCE TO STATES AND SCHOOLS, INCLUDING IMPLEMENTATION OF MANAGEMENT PLANS AND ESTABLISHMENT OF INSPECTOR AND MANAGEMENT PLANNER CERTIFICATION AND TRAINING PROGRAMS.

VIABLE AND COST EFFECTIVE RESEARCH PROGRAMS

THE PRESIDENT'S 1989 BUDGET FOR EPA'S RESEARCH AND DEVELOPMENT PROGRAM TOTALS $375.0 MILLION AND 1,848 WORKYEARS, AN INCREASE OF $22.7 MILLION AND 17 WORKYEARS OVER 1988.

A MAJOR RESEARCH AND DEVELOPMENT PRIORITY IS REDUCING THE UNCERTAINTIES IN RISK ASSESSMENT SO THAT EPA CAN MAKE BETTER INFORMED REGULATORY DECISIONS AND ESTABLISH A SOUND BASIS FOR OUR RESEARCH PRIORITIES. IN 1989, $10.0 MILLION WILL BE DEVOTED TO PROJECTS DESIGNED TO REDUCE UNCERTAINTIES IN RISK ASSESSMENTS TO IMPROVE OUR DECISIONMAKING CAPABILITIES.

OUR RESEARCH EFFORTS WILL ALSO BE INCREASED SIGNIFICANTLY TO SUPPORT THE ADMINISTRATION'S INITIATIVE ON STRATOSPHERIC OZONE DEPLETION. THIS RESEARCH WILL ENABLE THE FEDERAL GOVERNMENT TO MAKE INFORMED DECISIONS ABOUT THE RISKS POSED BY OZONE DEPLETION IN PREPARATION FOR THE 1994 SCIENTIFIC ASSESSMENT REQUIRED BY THE MONTREAL PROTOCOL.

CONTINUING OUR ESSENTIAL PARTNERSHIP WITH THE STATES

IN 1989, FUNDING FOR THE STATE GRANTS PORTION OF THE BUDGET TOTALS $290.0 MILLION, A SLIGHT INCREASE ABOVE 1988. EPA WILL CONTINUE TO WORK WITH THE STATES TO ASSIST IN DEVELOPING STRONG PROGRAMS TO CARRY OUT THE STATES' RESPONSIBILITIES. THE 1989 PRESIDENT'S BUDGET RECOGNIZES THAT CONTINUED COOPERATION OF THE STATES IS NECESSARY TO MEET OUR STATUTORY REQUIREMENTS.

EMPHASIS ON LONG-TERM SOLUTIONS AT SUPERFUND SITES

BY THE END OF 1989, WE ANTICIPATE THAT PLANNING WORK WILL BE UNDERWAY OR COMPLETED ON NEARLY 900 OF THE NATIONAL PRIORITY LIST (NPL) SITES. OUR FOCUS, HOWEVER, WILL CONTINUE TO SHIFT TOWARD EXPANDING THE NUMBER OF SITES IN THE FINAL AND MOST IMPORTANT PHASES OF CLEANUP. THIS WILL BE ACCOMPLISHED BY MOVING A STEADY STREAM OF FUND-FINANCED PROJECTS TO ACTUAL CLEANUP, WHILE ALSO OVERSEEING A GROWING NUMBER OF NEW RESPONSIBLE PARTY ACTIONS. IN 1989, WE ANTICIPATE MANAGING OR OVERSEEING A TOTAL OF 145 NEW REMEDIAL DESIGNS AND 85 NEW CONSTRUCTIONS OF WHICH 75 DESIGNS AND 50 NEW CONSTRUCTIONS WILL BE FUND-FINANCED. THESE ACTIONS ARE CONSISTENT WITH THE MANDATORY REMEDIAL CONSTRUCTION SCHEDULE SET FORTH IN THE SUPERFUND AMENDMENTS AND REAUTHORIZATION ACT (SARA).

IN THE EMERGENCY RESPONSE PROGRAM, EXPANDED AUTHORITIES WILL ALLOW US TO PURSUE MORE COMPLETE REMOVALS WHICH ARE CONSISTENT WITH THE LONG-TERM REMEDY AT AN NPL SITE. IN OUR REMEDIAL PROGRAM, WE PLAN TO COMPLETE OVER 20 CONSTRUCTION PROJECTS, WHILE RESPONSIBLE PARTIES ARE EXPECTED TO ADD ANOTHER 10. THE COMPLETION OF THESE ACTIVITIES REPRESENTS A MAJOR STEP TOWARD PROTECTING OUR ENVIRONMENT AND THE PUBLIC HEALTH FROM THE DANGERS POSED BY PAST HAZARDOUS WASTE PRACTICES.

IN OUR RESEARCH PROGRAM, WE WILL INCREASE EFFORTS TO EXPLORE ALTERNATIVE AND INNOVATIVE TREATMENT TECHNOLOGIES THAT ARE A KEY TO ACHIEVING PERMANENT SOLUTIONS AT NPL SITES.

FINALLY, WE HAVE BROADENED OUR ENFORCEMENT EFFORTS SIGNIFICANTLY. WE WILL ACHIEVE MORE RESPONSIBLE PARTY SETTLEMENTS THROUGH AGGRESSIVE USE OF OUR EXPANDED AUTHORITIES UNDER SARA. WE WILL ALSO PURSUE MORE INTENSIVE COST RECOVERY EFFORTS TO RECOUP COSTS PREVIOUSLY PAID BY THE TRUST FUND.

CONSTRUCTION GRANTS TRANSITION

AN IMPORTANT ASPECT OF THE 1989 PRESIDENT'S BUDGET IS OUR PLAN TO IMPLEMENT THE TRANSITION FROM CONSTRUCTION GRANTS TO STATE REVOLVING FUNDS (SRFs) FOR WASTEWATER TREATMENT ASSISTANCE. IN 1989, OUR $1.5 BILLION REQUEST WILL ENSURE THAT ADEQUATE FINANCIAL RESOURCES ARE AVAILABLE TO CONTINUE PROGRESS IN CONSTRUCTING MUNICIPAL FACILITIES NEEDED TO COMPLY WITH THE CLEAN WATER ACT.

STATE REVOLVING FUNDS WILL PERMIT STATES TO PROVIDE VARIOUS FORMS OF LOCAL ASSISTANCE, INCLUDING LOW INTEREST/LONG-TERM LOANS, REFINANCING, LOAN GUARANTEES AND BOND INSURANCE. THIS APPROACH WILL ALSO PROVIDE STATES WITH INCREASED CONTROL AND RESPONSIBILITY IN THE CONSTRUCTION OF MUNICIPAL WASTEWATER TREATMENT FACILITIES. BY 1994, THE STATE REVOLVING FUNDS WILL BE SELF-SUFFICIENT AND FEDERAL FUNDING WILL HAVE BEEN PHASED OUT.

CONCLUSION

THE BUDGET I HAVE PUT FORTH TODAY REFLECTS MANY DIFFICULT DECISIONS. AFTER MANY MONTHS OF CAREFUL DELIBERATIONS, OUR BUDGET REQUEST REPRESENTS A SOUND STRATEGIC APPROACH TO MEETING EPA'S STATUTORY RESPONSIBILITIES AND EMERGING PRIORITIES WHILE PROVIDING THE MAXIMUM ENVIRONMENTAL PROTECTION POSSIBLE.

THE PROCESS WE FOLLOWED TO DEVELOP THIS BUDGET WAS IDENTICAL TO OUR EFFORTS IN PREPARING OUR 1988 REQUEST. IN OUR ENACTED BUDGET, HOWEVER, MANY OF THE CRITICAL NEEDS WE IDENTIFIED WERE SACRIFICED TO FUND NARROWLY FOCUSED ENVIRONMENTAL PROGRAMS. THESE TARGETTED CONGRESSIONAL INITIATIVES HAMPER OUR ABILITY TO FOCUS ON, AND MEET, OUR NATIONAL ENVIRONMENTAL AGENDA AND STATUTORY RESPONSIBILITIES.

MANY OF THE CONGRESSIONAL ADD-ONS ARE OF SPECIFIC LOCAL CONCERN WHICH ARE NOT CONSISTENT WITH NATIONAL ENVIRONMENTAL PRIORITIES. FUNDING OF THESE INITIATIVES LIMITS OUR ABILITY TO MEET MORE CRITICAL NATIONAL ACTIVITIES. I WOULD, THEREFORE, ASK THAT IN YOUR DELIBERATIONS ON OUR 1989 REQUEST YOU FOCUS ON THE NATIONAL PRIORITIES IDENTIFIED IN THE PRESIDENT'S REQUEST. THESE PRIORITIES THAT WE HAVE IDENTIFIED ARE ESSENTIAL TO THE LONG-TERM PROTECTION OF HUMAN HEALTH AND THE ENVIRONMENT.

IN SUMMARY, I BELIEVE THAT IN THESE TIMES OF LIMITED FEDERAL RESOURCES WE HAVE PROVIDED THE GROWTH NECESSARY TO MEET THE NATION'S CRITICAL ENVIRONMENTAL PRIORITIES. IN THIS BUDGET THE PRESIDENT HAS AGAIN DEMONSTRATED A COMMITMENT TO PUSH FORWARD TO BETTER UNDERSTAND AND CONTROL THE MANY EXISTING AND EMERGING ISSUES FACING THE NATION. I AM OPTIMISTIC THAT THIS BUDGET WILL RECEIVE YOUR PROMPT AND FAVORABLE CONSIDERATION.

I WILL BE HAPPY TO ANSWER ANY QUESTIONS AT THIS TIME.

Questions Submitted for the Record by Senator Burdick

GAO REPORT ON OZONE NONATTAINMENT

Question: Mr. Thomas, have you had an opportunity to review the January report by the General Accounting Office requested by this Committee concerning ozone attainment? Will the conclusions reached in this report dealing with extension of the attainment deadline administratively--without new legislation, have an impact on the Agency's post-attainment policies?

Answer: My Air Program staff has reviewed the General Accounting Office (GAO) report and has found it generally to be factual and correct, except in the area of sanctions. As you are aware, we disagree with GAO's opinion that construction ban sanctions should be applied for simply failing to attain the air quality standards.

While we believe that our post-1987 ozone and carbon monoxide policy statement is legally sound, in the proposal we did list several other items for which we would welcome statutory changes. (See page 45045 of November 24, 1987, Federal Register.) The EPA would prefer that the Clean Air Act create new attainment dates that vary by area according to the difficulty of attaining, and that the construction moratorium provided in section 110(a)(2)(I) not be mandatory in areas that cannot submit SIP's that demonstrate attainment by a near term fixed attainment date. Additionally, changes that provide more clarification and equity to the sections 176(b) and 110(c) sanctions would be helpful.

GAO REPORT ON OZONE NONATTAINMENT

Question: The same GAO report recommended that the Congress amend the Clean Air Act to establish a strategy that places areas into different categories and establishes different attainment dates based on the severity of their ozone problems and specify the conditions under which sanctions apply. This attainment strategy is similar to the one drafted by this committee in S. 1894. How does this strategy differ from the post-attainment strategy outlined by the Agency in the fiscal year 1989 budget?

Answer: The EPA's proposal allows States the flexibility to select the appropriate attainment date for their nonattainment area and to make most of the decisions as to what to control and regulate. Our strategy does not make broad prescriptions of measures that must be contained in approvable SIP's. We believe that this approach will lead State and local officials to make "up front" and more far-reaching control decisions. The result will be more realistic and workable SIP measures that are based upon public support.

S.1894 is much more prescriptive and does not provide the flexibility of the EPA proposal. While it does recognize the need for different attainment dates, it places many control decisions at a level removed from those who must ultimately implement the plan measures. Moreover, the bill as currently constituted now contains an extraordinarily complex collection of dates, waivers, contingency measures, and extension criteria that make it difficult to determine just how the bill would affect a State, which controls it must impose, or when it would have to attain. Although we do not support the specific measures in S. 1894, we do agree that the Act should be amended to address schedules and sanctions for long-term nonattainment areas.

REDUCING UNCERTAINTY IN RISK ASSESSMENT

Question: In response to the FY 88 Appropriations measure, the Agency is establishing a new risk assessment program (RURA). What are the objectives of this program?

Answer: The objective of the RURA program is to improve the Agency's risk assessment methods and procedures by providing the tools and information necessary to develop more accurate risk assessments. Emphasis will be placed on reducing uncertainties in human health and ecological risk assessments.

Question: What will this program enable the Agency to do that it currently isn't?

Answer: This program will conduct research that will assure more adequate protection of public health and enhance the intelligence/information base from which EPA regulations are promulgated. Expected improvements to the current program are as follows:

- A more accurate determination of the dose delivered to the target tissue and a better ability to predict this dose from traditional exposure data and relate it to observed health effects.
- Development of biologically based dose response models to simulate various inter/intra species exposure scenarios and incorporate mechanisms of effects into dose-response models.

Question: As the result of emphasis on RURA, what ongoing research efforts will be terminated, redirected or become a lower priority than would have been the case under the Agency's planned budget request before final action on the FY 88 Appropriations measure?

Answer: A comprehensive research management review and assessment of program priorities and resource requirements was conducted to meet the Congressionally mandated FY 1988 R&D Appropriation target for the RURA initiative. This review resulted in reducing the following media programs: Air -$1.0M; Hazardous Waste -$1.0M; and Multi-Media Energy -$1.0M, to provide the $3M for RURA.

RESEARCH: HAZARDOUS SUBSTANCE RESEARCH CENTERS

Question: The Agency has requested $5 million under Superfund for university research centers to be established in 1988. What is the status of the university research center program?

Answer: EPA has developed a solicitation for proposals to establish five university-based Hazardous Substance Research Centers. This solicitation will be published in the Federal Register on or about March 21, 1988. Notices will also appear in Commerce Business Daily, Science, and Environmental Science and Technology. Following publication of the solicitation, approximately 90 days will be allowed for submission of proposals.

Question: When will the university centers be identified?

Answer: Selections will be made by EPA on or about September 1, 1988. However, the Agency will probably not be able to make awards by September 30. A formal announcement of the winners must be delayed until five days after an agreement has been signed by the recipient. We believe that all agreements will be executed by the end of October 1988.

Question: Has the Agency identified particular problems to be referred to the university research centers?

Answer: The mission of the Hazardous Substance Research Centers will be threefold:

- long-term and short-term research on the manufacture, use, transportation, disposal, and management of hazardous substances
- dissemination of research results and coordination of efforts with other institutions active in related areas
- training, technology transfer, and technical support which would benefit personnel and organizations involved in the regulation of hazardous substances or their manufacture, handling, or disposal.

Each of these activities must be carried out in and be specifically focused on the key hazardous substance problems experienced in the geographic area which the Center will serve.

Beyond these directions, EPA does not plan to refer particular problems to the Centers or to request specific items of research although mechanisms will be established to ensure that appropriate EPA and Center personnel exchange relevant information regularly. These mechanisms include two advisory groups -- a science advisory committee and a training and technology advisory committee. These committees will have substantial representation from EPA Regions, laboratories, technology transfer offices, and the regulatory office. In addition, all Center directors will meet annually with EPA personnel to discuss progress and future directions. Each of the regions served by a Center will assign an individual to serve as a liaison person.

Question: Please provide the committee with a schedule detailing the implementation of the university research center program.

Answer: The following is a schedule for implementing the Center program:

Activity/Milestone	Date
Solicitation proposal published	March 21, 1988
Closing date for receipt of proposals	June 30, 1988
Peer review panels meet, applications evaluated and scored	July, 1988 - August, 1988
Final selection of five Centers	September, 1988
Five Centers fully operational	December, 1988

USER FEES

Question: The FY 88 appropriation measure authorizes EPA to collect $25 million this year in fees. Will the Agency in fact collect this amount in FY 88 and what is the status of planned and proposed fee collection regulations?

Answer: Although 1988 appropriations language authorizes EPA to retain up to $25 million in fees, the Agency currently estimates that the maximum possible total fee collections in 1988 will be approximately $9 million. The 1989 President's Budget request proposes that the Agency be authorized to retain up to $30 million in fees.

The Agency has placed fees into two main categories:

1) Fees which we expect to generate revenue in 1988 or 1989:

- o The Agency expects to publish final rules for three fees this Spring. Collection of these fees is expected to begin this Summer.
  - -- Pesticides Registration
  - -- Quality Control and Performance Evaluation Samples for Water and Drinking Water
  - -- Toxic Substances Premanufacture Notices (PMNs)
- o Ocean Disposal Permit fees are being incorporated into overall revisions to the Ocean Disposal program regulations. Collections are not expected until sometime in 1989.

2) Fees being evaluated for possible collection efforts in the future:

- o Eight fees are under consideration for collection and are being evaluated internally by Agency workgroups. It would be premature to discuss at this time whether the Agency will move forward on any of these fees.
  - -- Radon Testing Certification
  - -- Pesticides Reregistration
  - -- Pesticides Applicator Certification
  - -- RCRA Waivers, Exemptions
  - -- Corporate Average Fuel Economy Certification
  - -- Emissions Certification
  - -- Stationary Source Permits
  - -- Fundamentally Different Factors (FDF) Variance Permits

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Questions Submitted for the Record by Senator Mitchell

RECALL OF LIGHT-DUTY VEHICLES

Question: How many recall investigations of light-duty vehicles under the Clean Air Act were performed in fiscal year 1980 and how many are expected to be performed in fiscal year 1989?

Answer: Fifty-one recall investigations were performed in fiscal year 1980. Twenty-two investigations are expected to be performed in fiscal year 1989. We are doing fewer inveseitagions due to a higher level of confidence in the manfacturers' ability to meet standards in actual vehicle use and the need to focus on other in-use vehicle issues. We believe that the current level of investigations is sufficient to maintain oversight of in-use vehicle performance.

EMISSIONS STANDARDS FOR HEAVY-DUTY VEHICLES

Question: Under the FY89 budget, how does EPA intend to assure that heavy-duty vehicles are in fact meeting the applicable emissions standards?

Answer: In the 1989 model year, EPA intends to continue the active heavy-duty engine Selective Enforcement Auditing (SEA) program that was implemented in the 1986 model year. Additionally, heavy-duty engines which are optionally certified to light-duty truck standards will be audited as part of the light-duty SEA program.

FUEL ECONOMY DEVICES

Question: How many fuel economy devices were evaluated in FY80 and how many will be evaluated in FY89?

Answer: There were ten fuel economy devices evaluated in FY 1980. In FY 1989, there will be zero to two evaluated. The drop in the price of gasoline may have reduced the incentives for inventors to request EPA evaluations. In addition, the costs that an inventor has to incur to provide data to EPA before EPA evaluates a device may also act as a deterrent in seeking an EPA evaluation.

MOBILE SOURCE CERTIFICATION PROGRAM

Question: Which elements of the mobile source certification program are being conducted by the agency and which elements are delegated to the manufacturers (e.g., selection of replacement vehicles for failed vehicles, selection of emission data vehicles, review of test equipment and fuel used by manufacturers, etc.)?

Answer: EPA has delegated many certification procedural decisions to the manufacturers, although EPA retains authority for the most important certification procedures. To assure the manufacturers' compliance with the Clean Air Act, EPA has chosen to monitor the manufacturers' certification programs on an audit basis. EPA still retains the final authority over all delegations and any discrepancies that arise from an audit will be ultimately decided by EPA such that they are in accordance with published guidelines. The most significant current delegations include:

1. Test vehicle selections
2. Unscheduled maintenance on test vehicles
3. Discontinuation of test vehicles
4. Replacement of failed test vehicles
5. Road load horsepower determinations
6. Substitution of test data for fuel economy
7. Car and truck line determinations
8. Running change approvals
9. Light-duty truck and evaporative deterioration factor determinations
10. Test equipment and test fuel usage
11. Fuel economy label values

The current published documents specify those situations where manufacturer self-approval is allowed. If situations arise such that the current publications specify that approval is allowed then manufacturers are delegated self-approval authority and they are required to notify EPA of the self-approval. However, all self-approvals are subject to EPA audits and if the audit determines a discrepancy with the regulations or other published guidelines then the situation will require the manufacturer to make the necessary adjustments which will bring the situation into compliance.

EPA reviews each manufacturer's application for each engine family. If discrepancies are found, a certificate of conformity is not issued until any discrepancies are resolved. This creates a very strong incentive for the manufacturer to be sure everything is correct before it is submitted and to raise matters early with EPA if they are concerned that EPA may take issue later.

The selection for confirmatory testing of emission-data vehicles, fuel economy vehicles, and running change vehicles is performed by EPA personnel, and EPA still designates the confirmatory test location. EPA also currently confirms all Corporate Average Fuel Economy (CAFE) calculations. While manufacturers are now authorized by regulation to calculate their own fuel economy labels, they may only use data which has been either approved or confirmed by EPA, they must follow rigid calculation procedures established in the regulations, and they must submit their calculation at least five days before the start of production. EPA can order label corrections at any time it finds an error, before or after the start of production and it can remove a manufacturer's authority to calculate its own labels if it consistently makes mistakes or fails to follow procedures.

CAFE CALCULATIONS REVIEW

QUESTION: How many CAFE calculation reviews were performed in FY 80 compared to FY 89?

ANSWER: Our records are arranged by model year. However, FY 1980 roughly corresponds to the 1979 model year and FY 1989 corresponds to the 1988 model year. (This is because the model year reports do not come in until some months after the model year is over.) For FY 1980, we completed 60 CAFE reviews. The most recent and reasonably complete CAFE data base we have is for the 1986 model year (FY 1987), in which we performed 46 reviews. We have no reason to expect this total to significantly change for FY 1988 and FY 1989. However, the total could increase slightly with the addition of some small new manufacturers. Overall, we have reduced the CAFE activity by not performing any preliminary CAFE evaluations, which were done prior to the end of the model year. By discontinuing this service to industry we have been able to better focus our compliance activities.

FUEL OUTLETS INSPECTIONS

Question: How many fuel outlets were inspected in FY 80 compared to FY 89?

Answer: In FY 1980 EPA inspected 16,065 retail outlets. In FY 1989 4,000 inspection are planned. This level of reduction in activity is due to program changes. With the drastic reduction in the availability of leaded gasoline resulting from the lead phasedown rules there is a lowered need for field enforcement activity aimed at lead-in-gasoline at the retail outlet level.

USE OF ALTERNATIVE FUELS

Question: What emissions testing has the agency performed on methanol-fueled vehicles? Please provide all relevant analyses of alternative fuels and their impact on area air emissions and the impact of such emissions on downwind areas.

Answer: The Agency has been involved in the characterization of emissions from methanol-fueled vehicles for a number of years. Early programs focused on fundamental quantification and speciation of exhaust emissions. For example in 1982, gasoline and methanol-fueled Ford Escorts and Volkswagen Rabbits were evaluated at Southwest Research Institute under contract to EPA. Emissions of methanol, formaldehyde, and other hydrocarbons from the methanol vehicles were measured over relevant test cycles and compared to the emissions from their gasoline counterparts. A later study done in EPA's own laboratory focused on methanol vehicle exhaust and evaporative constituent speciation and its relationship to fuel composition. Other studies have examined the effect of variables such as catalyst formulation on methanol vehicle emissions and have examined emissions of formaldehyde at low ambient vehicle operating temperatures. Most recently, EPA completed testing at the National Institute for Petroleum and Energy Research to compare idle and urban cycle emissions of various exhaust constituents for a methanol vehicle with those of a number of gasoline vehicles and one diesel. EPA also has a number of ongoing research projects aimed at evaluating and controlling cold start emissions and characterizing refueling emissions. The most recent summary of the relevant emissions data, including but not limited to EPA's own studies, is provided as a reference paper.

The results of these emission characterizations have been incorporated into the process by which emission standards are being applied to methanol vehicles (see Senator Stafford's question number 3). Attached please find the Regulatory Support Document that was published with EPA's proposed regulations in August of 1986. This document presents EPA's analysis of the impact of methanol vehicles on ambient ozone levels as well as on concentrations of methanol and formaldehyde in a number of commonly encountered driving scenarios (i.e., tunnels, garages).

EPA has done additional work in these areas since the time of publication of this analysis. In particular, EPA performed photochemical modeling of the impact of methanol use in the Philadelphia area. The results of this work were incorporated, along with those of other recent modeling done by Ford Motor Company, into a more comprehensive analysis of the impact of methanol use on ozone levels. This analysis was discussed in EPA's paper "The Air Quality Benefits of Alternative Fuels," which was written as part of the efforts of the Vice President's Work Group on Alternative Fuels this past summer. These results are also being incorporated into EPA's final rule, due out next summer. They indicate that methanol vehicles under many circumstances have a net positive impact on urban ozone levels.

The Regulatory Support Document analysis of the impact of methanol vehicles on levels of methanol and formaldehyde in various driving scenarios has also been updated using the more recent data. Unfortunately, these results have not yet been published. While the results of the new analysis differ to some degree quantitatively from the earlier study, the conclusions it leads to are substantially similar. Methanol vehicles are not expected to result in increases in methanol or formaldehyde exposure to toxicological levels of concern.

EPA's overall assessment is that, assuming implementation of EPA's proposed emissions standards, methanol vehicles will provide a net environmental benefit.

References

1. Gold, Michael D., Moulis, Charles E., "Emission Factor Database for Prototype Light-duty Methanol Vehicles," SAE Paper 872055.

2. "Proposed Organic Emission Standards and Test Procedures for 1988 and Later Methanol Vehicles and Engines," Regulatory Support Document, EPA/ECTD/SDSB, July, 1986.

3. "Air Quality Benefits of Alternative Fuels", EPA/OMS, July, 1987.

SIP REVISIONS

Question: In American Cyanamid Co. v. EPA, the Fifth Circuit Court of Appeals held that EPA cannot collect noncompliance penalties while a SIP revision is pending before the Agency. This holding would appear to limit the Agency's authority to require compliance with original SIP's so long as revisions are pending. The Clean Air Act requires the Agency to approve or disapprove SIP's or their revisions within 4 months. How many SIP revisions have been filed within the last 5 years?

Answer: A review of the SIP processing rates for the past 5 years indicates that about 350 actions per year were processed. Approximately sixty percent of these could be classified as significant or "major" regulatory actions.

Question: On average, how long did it take the Agency to make a final decision on these revisions?

Answer: The time needed to process SIP revisions depends upon the scope and complexity of each regulatory action as well as the quantity and quality of the supporting materials provided by the State. For example, comprehensive ozone SIP's take much more time to evaluate than do more limited actions such as definition changes.

The EPA's goal is to process each SIP within 14 months. (Five months for the Regional Office to prepare the technical support and the Federal Register proposal, 2 months for Headquarters to review the proposal, 5 months for the Regional Office to evaluate public comments on the proposal and to prepare a final rulemaking, and 2 months for Headquarters to review the final rulemaking) However, many revisions take longer to process because they either do not meet Agency policy or have major support components missing [such as modeling analyses or reasonably available control technology (RACT) determinations).

Question: What was the range of time taken?

Answer: Overall processing times for SIP's probably range from slightly over 2 months for "direct final" actions to several years for complex, unsupported plans.

Question: How many SIP revisions have been filed since the Fifth Circuit's ruling was announced? How does this compare to each of the previous 5 years?

Answer: Since February 20, 1987, EPA has received about 290 SIP revisions. This compares to the 350 actions per year that EPA has historically processed.

Question: Please provide a specific breakdown of all SIP revisions filed in the last year.

Answer: A copy of the output from EPA's SIP tracking system is attached. It provides a detailed listing of SIP revisions currently undergoing review.

Question: This decision would appear to place the Agency at a disadvantage, should the Agency implement its ozone and carbon monoxide strategy and ask for SIP revisions, since underlying SIP's could not be enforced (under the American Cyanamid ruling) until the Agency made a final decision about revisions.

What is the Agency's position on SIP modifications in light of this decision? Please provide relevant documents on this issue.

Answer: If EPA were to promulgate its proposed ozone/carbon monoxide policy statement, then States would have approximately 2 years from the date of the "SIP call" to submit a corrective (and comprehensive) new plan. Review of all such new plans would take time and there would be numerous interactions with State and local officials. The American Cyanamid decision would not initially hamper our ability to enforce these new plans since the regulations are not federally enforceable until after rulemaking is completed. However, the real impact of the court case would occur when subsequent, SIP revisions/modifications (that do not meet EPA policy) are submitted. This then hampers EPA's ability to implement the original post-1987 SIP regulations.

Question: What funds are being provided in the FY 1989 budget to hasten agency action on SIP revisions?

Answer: Last year, EPA formed a Task Group on SIP Processing comprised of senior managers from EPA Regions, Headquarters, and State air agencies. The report of this Task Group was completed in October 1987 and contained a number of recommendations to expedite SIP processing. EPA plans to go through notice and comment rulemaking to articulate the changes and the legal basis for the changes. The Agency expects to allocate about $165K in extramural funds in FY 1988 and 1989 to implement the recommendations of the task group.

Question: How many FTEs are devoted to SIP submissions and revisions?

Answer: The Agency is currently allocating 100-105 FTEs to SIP review.

Question: How many FTEs handled these issues in FY 1980?

Answer: The Agency allocated approximately 70-75 FTEs to SIP review and processing in FY 1980.

SIP ACTIONS SINCE FEBRUARY 1987

STATE	DESCRIPTION OF SIP ACTION
	TRS 111(D) PLAN (SILVASI)
AK	STACK HEIGHTS & DISPERSION TECHNIQUES REVISIONS (CREEKMORE)
AL	REDESIGNATION OF JACKSON, COLBERT, AND LAUDERDALE COUNTIES FOR SO2 (METSA)
AL	SO2 REVISION FOR EXXON COMPANY AND TVA'S COLBERT STEAM PLANT (REINDERS)
AL	APPROVAL AND DISAPPROVAL FOR JEFFERSON COUNTY (BIRMINGHAM) FOR VOC (WILSON)
AL	PSD MODELING GUIDELINES (MAYER/REINDERS)
AR	STACK HEIGHT REGULATIONS (METSA)
AZ	DISAPPROVAL OF TSP RULE COVERING EXISTING COPPER SMELTERS (SMITH)
CA	APPROVAL & DISAPPROVAL OF CAN COATING RULES FOR VOC (POLGLASE)
CA	APPROVAL OF TWO VOC RULES FOR SAN DIEGO CO. (POLGLASE)
CA	OZONE AND CO DISAPPROVAL FOR THE SOUTH COAST (SILVASI)
CA	DISAPPROVAL OF SCAQMD RULE FOR NOX FOR CEMENT PLANT KILNS (SILVASI)
CA	DISAPPROVAL OF A REVISED SCAQMD RULE CONTROLLING VOC EMISSIONS FROM NEW AUTO COATING OPERATIONS (JOHNSON)
CA	DISAPPROVAL FOR ATTAINING NAAQS FOR OZONE IN KERN COUNTY
CA	DISAPPROVAL FOR ATTAINING NAAQS FOR CO AND OZONE IN FOUR DISTRICTS
CO	A NEW FEE SCHEDULE FOR CERTIFICATION OF NEW WOODSTOVES SOLD AFTER JANUARY 1, L987
CO	DENVER CO PLAN
CO	RACT FOR MAJOR SOURCES OF CO IN NONATTAINMENT AREAS (SILVASI)
CT	RACT TO CONTROL VOC EMISSIONS FROM SIKORSKY AIRCRAFT DIVISION OF THE UNITED TECHNOLOGIES CORP (POLGLASE)
CT	RACT TO CONTROL VOC EMISSIONS FROM AMERICAN CYANAMID COMPANY (POLGLASE)
CT	DATE CHANGE OF STATE ORDER #943 FOR CONNECTICUT CHARCOAL CO. (GERTH)
CT	RACT FOR RAYMARK INDUSTRIES FOR VOC (JOHNSON)
CT	RACT FOR VOC FROM SOC AND POLYMER AND POLYSTYRENE MFG. EQUIP. (GROUP III CTG REGS.)(POLGLASE)
CT	ALTERNATIVE RACT DETERMINATION FOR FRISMOR, INC FOR VOC (JOHNSON)
CT	RACT FOR DOW CHEMICAL FOR VOC (JOHNSON)
CT	RACT FOR BELDING CORTICELLI THREAD FOR VOC (POLGLASE)
CT	REDESIGNATION OF THE ENTIRE STATE OF CONNECTICUT FOR TSP (YARN)
CT	RACT FOR VOC FOR GUILFORD GRAVURE COMPANY (BUBBLE) (CREEKMORE)
CT	RACT TO CONTROL VOC EMISSIONS FROM RAYMARK CORPORATION IN STRATFORD (POLGLASE)
CT	RACT FOR VOC CONTROL REQUIREMENTS FOR SPONEX (JOHNSON)
DC	STACK HEIGHT DECLARATIONS FOR THE DISTRICT OF COLUMBIA (CREEKMORE)
DE	DELAWARE'S STACK HEIGHT DECLARATION (CREEKMORE)
DE	AMENDMENT TO REGULATION II, "PERMITS" (YARN)
FL	FLORIDA STACK HEIGHT REGULATIONS (METSA)
FL	OPEN BURNING RULE REVISION (CREEKMORE)
FL	RULE REVISIONS FOR DRY CLEANING FACILITIES(JOHNSON)
FL	REGULATORY CHANGES TO FLORIDA SIP (MAYER)
FL	MISCELLANEOUS REGULATORY REVISIONS (MAYER)
FL	CONSENT ORDER FOR SMART-PAK INDUSTRIES FOR VOC EMISSIONS (POLGLASE)
FL	NEGATIVE DECLARATION ON STACK HEIGHT EMISSION LIMIT CHANGES (METSA)
FL	REDESIGNATION OF PINELLAS COUNTY FOR SO2 (METSA)
FL	PLAN FOR THE PROTECTION OF VISIBILITY IN FEDERAL CLASS I AREAS (DUNKINS)
FL	APPROVAL OF SEVERAL REGULATORY RULES (OPEN BURNING AND FROST PROTECTION FIRES) (CREEKMORE)
GA	PARTIAL DISAPPROVAL OF ATLANTA O3 PLAN
GA	AMENDMENTS TO RULE DEFINITIONS AND PERMITS (MAYER)
GA	REGULATION FOR PSD MODELING PROCEDURES (MAYER)
GA	REVISION TO PLAN FOR VISIBILITY PROTECTION IN CLASS I AREAS (DUNKINS)
GA	NEGATIVE DECLARATION ON STACK HEIGHT EMISSION LIMIT CHANGES (METSA)
GA	REGULATORY SIP REVISION CONCERNING CO2 INCINERATORS (SMITH)
GA	GEORGIA'S STACK HEIGHT REQUIREMENTS (METSA)
IA	ADOPTION OF PSD RULES FOR IOWA

SIP ACTIONS SINCE FEBRUARY 1987

STATE	DESCRIPTION OF SIP ACTION
ID	STACK HEIGHT AND DISPERSION TECHNIQUES (METSA)
IL	DISAPPROVAL OF REVISIONS FOR ILLINOIS OZONE PLAN
IL	COMPLIANCE DATE EXTENSION FOR FEDDERS-USA IN EFFINGHAM FOR VOC (POLGLASE)
IL	DISAPPROVAL FOR FORD MOTOR COMPANY, COOK COUNTY FOR OZONE (POLGLASE)
IL	DISAPPROVAL OF COMPLIANCE SCHEDULE FOR PRINTPACK, KANE COUNTY FOR VOC (POLGLASE)
IL	APPROVAL OF COKE OVEN PUSHING AND CHARGING RULES AND RECODIFICATION OF OTHER RULES FOR TSP
IL	NEGATIVE DECLARATIONS ON POLYETHYLENE, POLYPROPYLENE & VEGETABLE OIL PROCESSING FACILITIES IN OZONE NON-ATTAINMENT AREAS
IL	DISAPPROVAL OF EXTENDED COMPLIANCE SCHEDULE FOR GEORGIA-PACIFIC CORPORATION FOR VOC (POLGLASE)
IL	DISAPPROVAL OF EXTENDED COMPLIANCE SCHEDULE FOR ARVEY, MOORE AMERICAN & MEYERCORD FOR VOC (POLGLASE)
IL	DISAPPROVAL OF VOC EXT. COMPLIANCE SCHEDULE FOR GETTY,ALL STEEL,ST CHARLES,NATIONAL,AMERICAN & US CAN (JOHNSON)
IL	REDESIGNATION OF MACOUPIN COUNTY FOR OZONE (WILSON)
IL	DISAPPROVAL ON RULES FOR CONTINUOUS EMISSION MONITORING (SILVASI)
IL	RACT FOR VOC EMISSIONS FROM TANK TRUCK LEAKS, FLOATING ROOFS & COATING MISCELLANEOUS METAL PARTS (JOHNSON)
IL	CO PLAN, I/M PROGRAM & TCM'S (WILSON/BEAL)
IL	DISAPPROVAL OF AN ACS FOR GE FOR OZONE (BUBBLE) (CREEKMORE)
IL	BUBBLE FOR THE ADMIRAL DIVISION OF MAGIC CHEF FOR OZONE (CREEKMORE)
IL	REVISION FOR SO2 EMISSION LIMITS FOR BALDWIN POWER STATION (REINDERS)
IL	DISAPPROVAL OF REQUIREMENTS OF IAC FOR DEMETER, INC. FOR TSP (SMITH)
IL	DISAPPROVAL OF AN ACS FOR KRUEGER RINGIER FOR OZONE (BUBBLE) (CREEKMORE)
IL	DISAPPROVAL OF RACT VOC REGULATIONS FOR CLASSIC FINISHING CO. (JOHNSON)
IL	CONTROL OF VOC EMISSIONS FROM PETROLEUM DRY CLEANERS IN O3 DEMONSTRATION AREAS (JOHNSON)
IL	VARIANCE FROM RULE FOR HOT SCARFING OPERATIONS AT LTV STEEL FOR TSP (SMITH)
IL	DISAPPROVAL OF REDESIGNATION FOR KANE & DUPAGE COUNTIES FOR OZONE (WILSON)
IN	APPROVAL TO DEMONSTRATE COMPLIANCE OF END SEALING LINES FOR THE AMERICAN CAN CO. FOR VOC (POLGLASE)
IN	STAGE 1 GASOLINE DISPENSING REGULATIONS FOR VOC (POLGLASE)
IN	APPROVAL OF A RULE FOR STACK TEST METHOD
IN	SO2 SIP REVISION FOR 77 CO'S WITH NEW COMPLIANCE METHODOLOGY (REINDERS)
IN	LEAD PLAN REVISION FOR RSR QUEMETCO & THREE OTHER SOURCES (SMITH)
IN	APPROVAL AND DISAPPROVAL OF OZONE PLAN FOR CLARK, FLOYD, LAKE AND PORTER COUNTIES
IN	ACS REVISION FOR UNIROYAL PLASTICS FOR OZONE (JOHNSON)
IN	SO2 SIP FOR 8 CO'S & REDESIGNATION OF MARION CO. TO ATTAINMENT FOR SO2 (REINDERS)
IN	FEDERAL ASSISTANCE LIMITATIONS AND CONSTRUCTION MORATORIUM (WILSON)
IN	NSR FOR LEAD (SILVASI)
IN	CO PLAN FOR LAKE COUNTY (BEAL)
IN	INDIANA LEAD PLAN (SMITH)
KS	RACT FOR OZONE FOR KANSAS CITY (POLGLASE)
KS	PERMIT FEES FOR CONSTRUCTION AND OPERATING PERMITS (SILVASI)
KS	REVISED OZONE PLAN FOR KANSAS PORTION OF KANSAS CITY METROPOLITAN AREA (WILSON/POLGLASE)
KS	CO PLAN REVISION & WITHDRAWAL OF REDESIGNATION FOR WICHITA (BEAL)
KY	REVISION TO TEST METHOD FOR MEASURING TOTAL DISSOLVED SOLIDS IN BY-PRODUCT COKE MANUFACTURING OPERATIONS
KY	REMOVAL OF FINAL TWO CONDITIONS OF KENTUCKY'S PART D TSP SIP (SMITH)
KY	DISAPPROVAL OF BUBBLE FOR ALCAN FOIL PRODUCTS FOR VOC (CREEKMORE)
KY	INCORPORATING TEST METHODS BY REFERENCE (SMITH, REINDERS)
KY	OPACITY VARIANCE AT TVA'S PARADISE STEAM PLANT (CREEKMORE)
KY	AMENDMENTS TO THE I/M PROGRAM FOR LOUISVILLE, JEFFERSON COUNTY (SILVASI)
KY	PLAN FOR THE PROTECTION OF VISIBILITY IN CLASS I AREAS (DUNKINS)
KY	NEGATIVE DECLARATION ON STACK HEIGHT EMISSION LIMIT CHANGES FOR KENTUCKY (METSA)
KY	AMENDMENTS FOR DOCUMENTS THAT ARE INCORPORATED BY REFERENCE (SILVASI)
KY	RACT TO REDUCE VOC EMISSIONS FROM SOC AND POLYMER MANUFACTURING EQUIPMENT (POLGLASE)
KY	PERMIT FEES & REVEWAL FREQUENCY REVISIONS FOR JEFFERSON CO. (SILVASI)
KY	REVISION TO CHANGE TEST METHOD FOR MEASURING TDS (SILVASI)

SIP ACTIONS SINCE FEBRUARY 1987

STATE	DESCRIPTION OF SIP ACTION
KY	RACT FOR VOC FROM SOCMI (GROUP III CTG REGS.)(POLGLASE)
KY	RACT FOR VOC FROM SOCMI FUGITIVE EMISSIONS IN JEFFERSON CO. (POLGLASE)
KY	SO2 EMISSIONS REDESTRIBUTION FOR TVA'S PARADISE STEAM PLANT (REINDERS)
KY	PSD, VISIBILITY MONITORING & VISIBILITY NSR REGULATIONS (MAYER)
LA	DISAPPROVAL OF BUBBLE FOR AMERICAN CYANAMID CO. FOR ACRYLONITRILE VOC STORAGE TANKS (CREEKMORE)
LA	EXEMPTION OF FOUR CARBON BLACK PLANTS FROM CONTROLS OF ACETYLENE EMISSIONS (POLGLASE)
LA	LOUISIANA STACK HEIGHT REGULATIONS (CREEKMORE)
LA	"BUBBLE" FOR THE UNION CARBIDE CORPORATION, TAFT PLANT IN HAHNVILLE FOR VOC (CREEKMORE)
LA	DISAPPROVAL TO EXEMPT SID RICHARDSON CARBON & GASOLINE FROM ACETYLENE EMISSION CONTROL (JOHNSON)
LA	"BUBBLE" FOR VULCAN MATERIALS GEISMAR PLANT FOR VOC (CREEKMORE)
LA	REVISION TO THE PLAN FOR STACK HEIGHT REGULATIONS (METSA)
LA	OZONE PLAN FOR EAST AND WEST BATON ROUGE PARISHES (WILSON)
MA	VOC TEST METHOD FOR NON CTG SOURCES (POLGLASE)
MA	NON-CTG RACT DETERMINATION FOR GENERAL MOTORS FOR VOC (POLGLASE)
MA	DISAPPROVAL OF EXTENDED COMPLIANCE DATE FOR GM, FRAMINGHAM (POLGLASE)
MA	RACT FOR NORTH AMERICAN PHILIPS LIGHTING COMPANY FOR VOC (POLGLASE)
MA	CONTROL OF VOC EMISSIONS FROM THE MANUFACTURE OF POLYSTYRENE RESINS (POLGLASE)
MA	PLANTWIDE DEFINITION OF STATIONARY SOURCES (MAYER)
MA	NON-CTG RACT DETERMINATION FOR BOSTON WHALER FOR VOC, NORWELL (JOHNSON)
MA	NON-CTG RACT DETERMINATION FOR BOSTON WHALER FOR VOC, ROCKLAND (JOHNSON)
MA	NON-CTG RACT DETERMINATION FOR STARCRAFT SAILBOAT PRODUCTS FOR VOC (JOHNSON)
MA	NON-CTG RACT FOR DURO TEXTILE PRINTERS FOR VOC (POLGLASE)
MA	RACT FOR VOC FOR SOC AND POLYMER MFG. EQUIP.(GROUP II CTG REGS.)(POLGLASE)
MA	MISCELLANEOUS AMENDMENTS (POLGLASE)
MD	REGULATORY CHANGES GOVERNING PERMITS AND APPROVALS (MAYER)
MD	REDESIGNATION OF LUKE FOR SO2 (REINDERS)
MD	NEGATIVE STACK HEIGHT DECLARATIONS (METSA)
MI	APPROVAL, DISAPPROVAL AND NO ACTION ON WAYNE COUNTY REGS (SMITH/MAYER/POLGLASE)
MI	DISAPPROVAL OF "BUBBLE" FOR VOC AT JAMES RIVER-KVP PLANT IN KALAMAZOO (CREEKMORE)
MI	PROVISIONS FOR THE CONTROL OF FUGITIVE DUST EMISSIONS (SMITH)
MI	DISAPPROVAL OF COMPLIANCE SCHEDULES FOR VOC EMISSIONS FOR FOUR FORD ASSEMBLY PLANTS (POLGLASE)
MI	DISAPPROVAL OF CONSENT ORDER FOR VOC EMISSION LIMITS FOR FORD'S ROMEO TRACTOR PLANT (POLGLASE)
MI	DISAPPROVAL OF RELAXATION OF VOC EMISSION LIMITS AT FORD MOTOR CO'S MT. CLEMENS PLANT IN MACOMB CO.(POLGLASE)
MI	DISAPPROVAL OF VOC EMISSIONS RELAXATION OF GMC TRUCK AND BUS FACILITIES (POLGLASE)
MI	REVISION TO TSP PLAN (SMITH)
MI	ALTERATION OF CONSENT ORDER FOR VOC LIMITS FOR GMC BUICK MOTOR DIV. (POLGLASE)
MN	APPROVAL AND DISAPPROVAL OF PERMIT RULE WHICH INCLUDES LEAD (MAYER)
MN	TSP SIP FOR SHIP & BARGE LOADING OF DRY BULK AGRICULTURAL ACTIVITIES (SMITH)
MN	DISAPPROVAL OF BUBBLE FOR OPACITY REGULATION (SMITH)
MO	MISSOURI STACK HEIGHT REGULATIONS (CREEKMORE)
MO	AMENDMENT FOR SO2 EMISSIONS FROM SECONDARY LEAD SMELTERS (REINDERS)
MO	RACT FOR VOC LEAKS FROM SOC & POLYMER MANUFACTURING EQUIPMENT (POLGLASE)
MS	MISSISSIPPI'S NEGATIVE DECLARATION ON STACK HEIGHT EMISSION LIMIT CHANGES (METSA)
MT	REVISION FOR THE GREAT FALLS CO NONATTAINMENT AREA (BEAL)
NC	APPROVAL OF RELAXED PARTICULATE EMISSION LIMITS & DISAPPROVAL OF ANNUAL OPACITY LIMITS FOR NINE POWER PLANTS
NC	TRS FROM KRAFT PULP MILLS (YARN)
NC	NEGATIVE DECLARATION ON STACK HEIGHT EMISSION LIMIT CHANGES (METSA)
NC	CO PLAN REVISION FOR WAKE COUNTY (BEAL)
NC	FIVE REGULATORY RULE AMENDMENTS (CREEKMORE)
NC	VISIBLE EMISSIONS REGULATIONS
NC	MISCELLANEOUS AMENDMENTS (SMITH)

SIP ACTIONS SINCE FEBRUARY 1987

STATE	DESCRIPTION OF SIP ACTION
NC	RULE CHANGE FOR CONTROLLING MISCELLANEOUS VOC EMISSIONS (POLGLASE)
NC	DISAPPROVAL OF NORTH CAROLINA BUBBLE RULE (CREEKMORE)
NC	SO2 REVISION FOR ALBA WALDENSIAN & VALDESE MFG. (REINDERS)
NC	STACK HEIGHT REGULATIONS (METSA)
NC	AMENDMENTS TO VISIBLE EMISSIONS (SILVASI)
NC	SO2 AND TSP REVISIONS FOR ASU (REINDERS)
NC	DISAPPROVAL OF A PARTICULATE SIP REVISION FOR FOUR CP & L POWER PLANTS (SMITH)
NC	APPROVAL OF TSP EMISSION LIMITS & DISAPPROVAL OF ANNUAL OPACITY LIMITS FOR NINE POWER PLANTS (SMITH)
NC	REVISIONS TO CO PLAN FOR DURHAM COUNTY
NE	OMAHA LEAD PLAN (HOWARD)
NH	I/M PROGRAM REVISION FOR NASHUA AND ELEVEN TOWNS FOR CO EMISSIONS CONTROL
NH	AMENDMENTS TO PERMIT REVIEW FEES AND TSP EMISSION STANDARDS (SILVASI/WILSON)
NH	CO ATTAINMENT PLAN (BEAL)
NH	RELAXATION OF SULFUR-IN-FUEL REGULATION FOR JAMES RIVER CORP., GROVETON, NH (POLGLASE)
NJ	REVISIONS FOR DELCO REMY AND HEUBACH FOR LEAD
NJ	REDESIGNATION FOR THE CITY OF BRIDGETON FOR TSP
NJ	LEAD PLAN FOR US METAL REFINING CO. (SILVASI)
NJ	LEAD PLAN FOR DELCO REMY AND HEUBACH FACILITIES (SILVASI)
NM	APPROVAL OF NM AQCR 709--PERMITS (MAYER)
NM	VISIBILITY PROTECTION IN MANDATORY CLASS I AREAS (DUNKINS)
NM	RESTRICTIONS FOR CONSTRUCTION OF SEWAGE TREATMENT WORKS IN BERNALILLO CO. (BEAL)
NM	STACK HEIGHT AND DISPERSION TECHNIQUES (CREEKMORE)
NV	DISAPPROVAL FOR ATTAINING NAAQS FOR CO IN TRUCKEE MEADOWS
NY	CERTIFY THAT THERE ARE NO NATURAL GAS/GASOLINE PROCESSING PLANTS & SOCMI INDUSTRIES IN NY CITY AND FOUR COUNTIES
NY	DISAPPROVAL OF PART OF CO CONTROL PLAN FOR THE CITY OF NEW YORK (BEAL)
NY	REDESIGNATION FOR THE VILLAGE OF EAST SYRACUSE FOR TSP (YARN)
OH	DISAPPROVAL TO REDESIGNATE MAHONING & TRUMBALL COUNTIES TO ATTAINMENT FOR O3 (WILSON)
OH	APPROVAL AND DISAPPROVAL OF RACT I AND RACT II VOC REQUIREMENTS (MARCH 28, 1983)(POLGLASE)
OH	DISAPPROVAL FOR ASTRO SHAPES, INC. FOR OZONE (VOC LIMITS)(POLGLASE)
OH	DISAPPROVAL FOR GOODYEAR TIRE & RUBBER PLANT & B.F. GOODRICH PLANT FOR VOC (POLGLASE)
OH	PERMITS FOR EIGHT PARTICULATE MATTER FUGITIVE EMISSION SOURCES (SMITH)
OH	OPERATING PERMITS FOR TWO SHIPLOADING FACILITIES (CREEKMORE/SMITH)
OH	DISAPPROVAL OF EXTENDED COMPLIANCE SCHEDULES IN CINCINNATI AND CLEVELAND FOR VOC (POLGLASE)
OH	DISAPPROVAL OF REDESIGNATION OF ASTABULA, SUMMIT & PORTAGE CO'S. FOR OZONE (BEAL)
OH	APPROVAL & DISAPPROVAL FOR COLUMBUS COATED FABRICS FOR OZONE - "BUBBLE" (CREEKMORE)
OH	BUBBLE FOR KAISER ALUMINUM AND CHEMICAL COMPANY FOR OZONE (CREEKMORE)
OH	CEM FOR PM AND NOX (SILVASI)
OH	REDESIGNATION FOR CLARK COUNTY FOR TSP (YARN)
OH	REVISED COMPLIANCE METHOD FOR THE OHIO MUSKINGUM RIVER POWER PLANT (REINDERS)
OH	RACT III REVISIONS (GROUP III CTGS) (POLGLASE)
OH	DISAPPROVAL OF A RELAXATION AT VAN LEER CONTAINERS (JOHNSON)
OH	DISAPPROVAL OF GM'S LORDSTOWN FACILITY FOR VOC (POLGLASE)
OH	"BUBBLE" FOR MANSFIELD PRODUCTS FOR VOC (CREEKMORE)
OH	REDESIGNATION OF HAMILTON & FRANKLIN COUNTIES FOR CO (BEAL)
OH	DISAPPROVAL FOR VOC RELAXATION FOR NAVISTAR (POLGLASE)
OH	DISAPPROVAL OF VOC "BUBBLE" FOR CHAMPION INTERNATIONAL CORP'S DAIRYPAK DIV. (CREEKMORE)
OH	REDESIGNATION OF PIERCE TOWNSHIP, CLERMONT COUNTY FOR SO2 (METSA)
OH	DISAPPROVAL OF BUBBLE FOR DINAGRAPHICS, INC. FOR OZONE (CREEKMORE)
OH	REDESIGNATION OF SIX COUNTIES FOR TSP (YARN)
OH	DISAPPROVAL OF REDESIGNATION OF MONTGOMERY COUNTY FOR TSP (SMITH)
OH	DISAPPROVAL OF A VARIANCE FOR ERVING PAPER MILLS FOR TSP (BUBBLE)(CREEKMORE)

SIP ACTIONS SINCE FEBRUARY 1987

STATE	DESCRIPTION OF SIP ACTION
OH	DISAPPROVAL OF BUBBLE FOR MULTI-COLOR FOR OZONE (CREEKMORE)
OH	REDESIGNATION OF GALLIA COUNTY TO ATTAINMENT FOR SO2 (METSA)
OH	DISAPPROVAL OF EXTENDED COMPLIANCE SCHEDULE FOR GOODYEAR TIRE AND RUBBER CO. FOR VOC (POLGLASE)
OH	BUBBLE FOR LUDLOW FLEXIBLE PACKING FOR OZONE (CREEKMORE)
OH	PERMITS FOR CEM FOR SO2 FOR COULTON CHEMICAL & E.I. DUPONT DE NEMOURS (REINDERS)
OH	DISAPPROVAL AT WRIGHT-PATTERSON AFB FOR OZONE (POLGLASE)
OH	APPROVAL FOR HUFFY CORP. BICYCLE PLANT FOR OZONE (POLGLASE)
OH	DISAPPROVAL FOR ATEC INDUSTRIES, INC. FOR VOC (VOLUME-WEIGHTED AVERAGE) (POLGLASE)
OH	BUBBLE FOR HARRISON RADIATOR, GMC FOR OZONE (CREEKMORE)
OH	SO2 REVISION FOR MUSKINGUM RIVER POWER PLANT IN MORGAN AND WASHINGTON COUNTIES (REINDERS)
OH	DISAPPROVAL TO REDESIGNATE 31 COUNTIES FOR TSP (SMITH)
OH	DISAPPROVAL OF REDESIGNATION OF CUYAHOGA COUNTY FOR CO (BEAL)
OH	REMOVAL OF CONDITIONAL APPROVAL FOR STAGE I FOR VOC (JOHNSON)
OH	STACK HEIGHT REGULATION & DISPERSION TECHNIQUES (METSA)
OH	RACT RELAXATION FOR GOODYEAR TIRE & RUBBER COMPANY FOR VOC (POLGLASE)
OH	DISAPPROVAL OF I/M PLAN FOR CUYAHOGA COUNTY FOR O3 & CO (WILSON)
OH	STACK HEIGHT DECLARATION APPROVAL FOR GOODYEAR TIRE & RUBBER COMPANY (METSA)
OK	REGULATION REVISION FOR GAS SWEETENING & SULFUR RECOVERY (REINDERS)
OR	APPROVAL OF GRANTS PASS, OREGON CO PLAN
OR	AMENDMENTS TO VISIBILITY PLAN IN CLASS I AREAS (METSA)
OR	PARTIAL APPROVAL OF RULES FOR CONFLICT OF INTEREST STATE BOARDS (BEAL)
OR	CO PLAN FOR GRANTS PASS (SILVASI)
OR	PERMIT FEE SCHEDULE REVISION (SILVASI)
PA	RECLASSIFY THE CITY OF PHILADELPHIA TO ATTAINMENT FOR TSP (SMITH)
PA	APPROVAL OF PHILADELPHIA'S STACK HEIGHT REGULATIONS
PA	APPROVAL TO RECLASSIFY FIVE CO'S AND DISAPPROVAL TO RECLASSIFY PIKE CO. FOR OZONE (WILSON)
PA	PHILADELPHIS'S GEP STACK HEIGHT REGULATION(METSA)
PA	REGULATIONS TO REDUCE TRS EMISSIONS FROM KRAFT PULP MILLS (YARN)
PA	VOC EMISSIONS OFFSET TRANSACTIONS IN BUCKS COUNTY (MAYER/GILBERT)
PA	RACT RULE FOR VOC EMISSIONS FROM PETROLEUM SOLVENT DRY CLEANING (CTG GROUP III)(POLGLASE)
PA	RACT FOR VOC FROM SOC & POLYMER & POLYSTYRENE MFG. EQUIP. (GROUP III CTG REGS. (POLGLASE)
PA	AMENDMENT FOR TSP FOR SANDBLASTING OPERATIONS IN ALLEGHENY CO. (SILVASI)
PA	DISAPPROVAL OF REDUCTIONS OF VOC EMISSIONS IN SOUTHEASTERN PENNSYLVANIA (WILSON)
PA	REDESIGNATION OF SEVEN AREAS IN THE JOHNSTOWN AREA FOR TSP (YARN)
PR	RENEWAL OF A VISIBLE EMISSIONS VARIANCE TO OWENS-ILLINOIS (CREEKMORE)
RI	RACT FOR VOC EMISSIONS FROM KEENE CORPORATION (POLGLASE)
RI	AMENDMENTS TO TEST METHODS FOR COMPLIANCE DETERMINATION (POLGLASE)
RI	RACT FOR VOC EMISSIONS FROM KENYON INDUSTRIES (POLGLASE)
RI	RACT FOR TECH INDUSTRIES FOR VOC (JOHNSON)
RI	BUBBLE FOR PROVIDENCE METALIZING FOR VOC (CREEKMORE)
SC	DISAPPROVAL OF GENERIC BUBBLE RULE (CREEKMORE)
SC	DISAPPROVAL OF THE DEFINITION OF VOC (JOHNSON)
SC	REDESIGNATION OF THE CITY OF COLUMBIA FOR CO (BEAL)
SC	MISCELLANEOUS REGULATORY REVISIONS (PEARSON AND MAYER)
TN	EXTENSION OF CONDITIONAL APPROVAL OF CHATTANOOGA/HAMILTON COUNTY NSR REGULATIONS FOR TSP
TN	VARIANCE FOR MURRAY OHIO MFG. FOR VOC (POLGLASE)
TN	APPROVAL OF TWO NONREGULATORY BOARD ORDERS(CREEKMORE/SMITH)
TN	TEMPORARY VARIANCE FOR WM. BONNELL CO. FOR VOC (POLGLASE)
TN	APPROVAL OF NONREGULATORY REVISIONS (FOUR BOARD ORDERS)
TN	NEGATIVE DECLARATION ON STACK HEIGHT EMISSION LIMIT CHANGES (METSA)
TN	REDESIGNATION OF BRADLEY AND HAMILTON COUNTIES FOR OZONE (BEAL)

SIP ACTIONS SINCE FEBRUARY 1987

STATE	DESCRIPTION OF SIP ACTION
TN	REDESIGNATION OF ROANE COUNTY FOR OZONE (BEAL)
TN	DISAPPROVAL OF OPEN BURNING PERMITS REVISION FOR HOLSTON ARMY AMMUNITION PLANT (SILVASI)
TX	APPROVAL OF REVISIONS FOR DALLAS AND TARRANT COUNTIES FOR OZONE
TX	DISAPPROVAL OF ALTERNATIVE RACT FOR RICHMOND TANK CAR FOR VOC (POLGLASE)
TX	LEAD EMISSION LIMITS FOR EL PASO COUNTY (SILVASI)
TX	DISAPPROVAL OF ALTERNATE MEANS OF CONTROL FOR GM-ARLINGTON ASSEMBLY PLANT FOR VOC, GROUP I CTG (JOHNSON)
TX	ALTERNATE EMISSION REDUCTION OF VOC FOR CONTINENTAL CAN CO. (VOC EMISSION LIMITS) (CREEKMORE)
TX	STACK HEIGHT REGULATIONS (METSA)
UT	CO REVISIONS FOR THE CITY OF PROVO, UTAH COUNTY (BEAL)
VT	VISIBILITY PLAN IN THE LYE BROOK WILDERNESS
WA	APPROVAL & DISAPPROVAL OF STACK HEIGHT & DISPERSION TECHNIQUES (METSA/MAYER)
WI	RELAXATION OF RACT EMISSION LIMITS FOR GMC, JANESVILLE FOR OZONE (POLGLASE)
WI	I/M PORTION OF THE OZONE/CO SIP (BEAL)
WI	DISAPPROVAL FOR VOC EMISSIONS AT GE COMPANY, MEDICAL SYSTEMS (JOHNSON)
WI	DISAPPROVAL TO REDESIGNATE A SUB-CITY AREA OF KENOSHA TO ATTAINMENT FOR TSP (SMITH)
WI	DISAPPROVAL OF VOC RELAXATION FOR GEHL CO. FOR OZONE (POLGLASE)
WI	ROTHSCHILD RACT SULFUR LIMITATIONS (REINDERS)
WI	DISAPPROVAL OF REDESIGNATION OF RACINE FOR TSP (SMITH)
WI	DISAPPROVAL TO REDESIGNATE SUB-CITY AREA OF BELOIT FOR TSP (SMITH)
WI	DISAPPROVAL TO REDESIGNATE A SUB-CITY NA AREA OF GREEN BAY FOR SO2 (METSA)
WI	DISAPPROVAL TO REDESIGNATE THE SUB-CITY NAAREA OF MADISON FOR TSP (SMITH)
WI	COMPLIANCE DATE EXTENSION FOR UNION CAMP FOR OZONE (BUBBLE) (CREEKMORE)
WI	BUBBLE FOR THE MERCURY MARINE FACILITY FOR OZONE (CREEKMORE)
WI	DISAPPROVAL OF REDESIGNATION OF THE SUB- CITY NA AREA OF MANITOWOC FOR TSP (SMITH)
WI	REDESIGNATION OF MILWAUKEE FOR CO (BEAL)
WI	DISAPPROVAL OF THE REDESIGNATION OF THE SUB-CITY NA AREA OF GREEN BAY FOR TSP (SMITH)
WI	REVISION TO PLAN TO RELAX VOC RACT FOR TECUMSEH PRODUCTS COMPANY (JOHNSON)
WI	DISAPPROVAL OF NON-CTG LEATHER COATING RACT RULE FOR VOC (JOHNSON)
WI	APPROVAL & DISAPPROVAL FOR UNIROYAL PLASTICS FOR OZONE (POLGLASE)
NMI	NEW SOURCE REVIEW RULES FOR LEAD FOR THE NORTHERN MARIANA ISLANDS (SILVASI)
CANV	REDESIGNATION OF PORTIONS OF THE LAKE TAHOE AIR BASIN FOR CO (BEAL)
CTMANH	STACK HEIGHT REGULATIONS (CREEKMORE)
NJNYVI	STACK HEIGHT REVISIONS (METSA)

NONPOINT POLLUTION

Question: In hearings on the Clean Water bill, many witnesses testified about the serious water quality problems caused by nonpoint pollution. Does the Agency still recognize nonpoint pollution as a major water quality problem?

Answer: Yes. In transmitting the first annual report to Congress on implementation of Section 319 of the Water Quality Act Amendments of 1987, Administrator Lee Thomas noted: "This intensified effort to abate and prevent NPS pollution comes at the right moment. The National Water Quality Inventory Report for 1986, which I recently transmitted to Congress, noted that of the waters assessed for the Report, nonpoint sources of pollution were cited by the States as the cause of water quality degradation in 75 percent of the lake acres, 65 percent of the stream miles and 45 percent of the estuarine waters."

Question: Did the Office of Water request funding for NPS grants under Section 319 of the Clean Water Act amendments? How much?

Answer: Yes, the Office of Water requested $23 million in FY 1989 funding for Nonpoint Source grants under Section 319 of the amended Clean Water Act.

Question: Did the EPA budget proposal to the OMB request funding of grants under section 319? How much?

Answer: Funds for Nonpoint Source grants under Section 319 were not included in EPA's FY 1989 budget proposal to OMB due to the availability of other funding sources for State nonpoint source programs. Section 205(j)(5) funds are available for both the development and implementation of State nonpoint source programs. States may also use funds available from Section 106 and Section 205(j)(1) for nonpoint source program development. States may fund implementation of approved NPS Management Programs under the Section 201(g)(1) 20% discretionary set-aside of their construction grant allotment and with their State Revolving Funds.

Question: Is there a chance that State effort on nonpoint pollution will actually decrease as EPA presses States to implement other provisions of the amendments, such as the toxics control strategies?

Answer: A decrease in State effort on nonpoint pollution is viewed as unlikely by the Agency. Indications are that all States will produce nonpoint source Assessments and Management Programs by the statutory deadline. The scope of effort to date suggests States are concerned with nonpoint pollution, consider it a major water quality problem and will continue efforts in this area.

Furthermore, there are strong relationships between the nonpoint source program and other provisions of the amendments. Because of these relationships, State efforts in these other programs will continue to indirectly assist nonpoint pollution activities. The toxics control program is a case in point. In some States, a significant portion of toxic pollution is thought to result from the use of agricultural chemicals and will be addressed at least in part through State NPS Management Programs.

WATER QUALITY: WATER PROGRAM FUNDING

Question: Last year, right after we passed the Clean Water Act, the Administrator testified on the FY 1988 budget before this committee. At that time we asked why there was not funding in the budget for implementation of all the new programs in the amendments. The Administrator indicated that "there was a good possibility" that EPA would develop a supplemental request for funding of these activities. The Administrator also indicated that that assessment would be done by the end of March. Why did the Administration not request supplemental funding for FY 88 for the clean water implementation?

Answer: There were disagreements within the Administration as to the appropriate amount and distribution of funding for activities required to implement the Clean Water Act amendments. These differences were never resolved, so a budget amendment request for FY 1988 was not submitted to the Congress.

Question: Did the Agency prepare an assessment of the cost of implementation of the new amendments during FY 1988?

Answer: Yes, EPA undertook a formal analysis of the resource costs to implement the new amendments during FY 1988.

Question: Please provide any assessment prepared by the Office of Water and any other assessments prepared by the Agency.

Answer: It is against the Administration's policy to release pre-decisional Interagency budget documents prior to submission to Congress of an official budget request. Since an official request was not submitted, EPA cannot provide the requested information.

Question: Did EPA request additional funding for FY 88 from OMB and how much did you request?

Answer: Yes, the Agency analyzed cost estimates to implement the new amendments and submitted a formal 1988 budget amendment to OMB. However, it is against the Administration's policy to release pre-decisional Interagency budget documents prior to submission to Congress of an official budget request. Since an official request was not submitted, EPA cannot provide the requested information.

WATER QUALITY: WATER PROGRAM FUNDING

Question: What did the Office of Water request for FY 89 and how did this request differ from the EPA request to OMB and the President's proposed budget?

Answer: For the "Water Quality" media, which includes the programs authorized by the Clean Water Act, the Office of Water requested FY 1989 resources of $313.2 million and 2,168 workyears.

The corresponding resources included for the Office of Water's "Water Quality" programs in EPA's FY 1989 budget request to OMB were $273.3 million and 2,091 workyears.

The President's proposed FY 1989 budget includes resources of $240.7 million and 1,956 workyears for the Office of Water's "Water Quality" programs.

Question: The Budget Summary document shows stable resources for the operating portion of the water program from 87 to 88 to 89. It seems that the Agency added all the new work of implementing the new amendments to the existing, core water quality program while providing no new money. Is this the case?

Answer: Although resources are relatively level for the 1987-89 timeframe, the 1989 request contains significantly more funding for most of the operating programs than was available in either 1987 or 1988.

Some of the programs that have increased funding requested in 1989 (over 1988) are Water Quality Management (+ $1.2 million), Effluent Standards (+$3.0 million), Section 106 (+$1.2 million), Standards and Regulations (+$1.3 million), Dredge and Fill - Wetlands (+$1.3 million), Coastal Environment Management (+$4.2 million), Water Quality Monitoring (+$4.2 million), and Permit Issuance (+$3.5 million).

The increases provided for these programs are offset by decreases to several programs for which Congress added funds in 1988, and this is why the 1989 request is only $4.8 million greater than 1988. These include the following activities:

Boston Harbor ($16 million in 1988, no funds requested in 1989)

Great Lakes Research Vessel ($1.5 million in 1988, no funds requested in 1989)

Wastewater Reclamation ($1.0 million in 1988, no funds requested in 1989)

WATER QUALITY: WATER PROGRAM FUNDING

Question: How do you expect the Agency and the States to do all the core program activities of the water program and the requirements of the over 70 provisions of the new amendments without some additional funding?

Answer: We agree that it would not be possible to "do all the core program activities of the water program and the requirements of the over 70 provisions of the new amendments without some additional funding". However, as the response to the preceding questions documents, most of the water programs have substantial resource increases in 1989 over their 1988 level.

Given the resource constraints placed on the overall 1989 budget by the budget agreement reached between Congress and the Administration last year, we believe that the water programs have received appropriate resource increases.

DINOSEB

Question: I am very concerned about the progress in storage and disposal of the cancelled pesticide Dinoseb. A large volume of this product is being held by farmers and others in my home state and in other parts of the country. Because the product is very corrosive, it cannot be stored in containers on farms indefinitely.

In January, Senator Leahy and I wrote to EPA asking for an assessment of this situation. In your letter, you indicated that "Funding limitations will delay destruction of dinoseb and will greatly increase federal costs since prolonged storage will be required." EPA has requested a significant increase in pesticide storage and disposal funding. Will this increase be sufficient to get the dinoseb program back on track?

Answer: The FY 1989 funding request of $60 million will allow us to make significant progress in preparing for dinoseb disposal and disposing of some stocks. We project that at least $20 million will be needed to complete 2,4,5-T/Silvex disposal in FY 1989, depending on the availability of disposal permits. The remaining amount ($40 million) will be available for dinoseb storage, transportation, and disposal. As mentioned in the Appendix of our January 22, 1988 response to you on dinoseb disposal, we believe we can complete the process of storing, decanning, conducting and evaluating trial burns, and transporting the material to a disposal site for $15 million to $30 million. This should leave some funds to begin actual disposal. Disposal costs could range from $60 million to $125 million. We will have a better estimate after evaluating the results of a test burn we recently conducted at the John Zink unit in Tulsa, Oklahoma. Preliminary results are expected by the end of May. Based upon this information, we will issue a Request for Proposal to dispose of all dinoseb stocks. Responses to this RFP will allow us to develop a firm estimate of dinoseb disposal costs.

Question: Is this funding good news for farmers who are holding this product, or will it not make much difference to them?

Answer: Yes, this is good news for farmers and other holders of dinoseb stock. EPA should be in a position to take possession of their stocks in FY 1989.

LEAKING UNDERGROUND STORAGE TANKS

Question: Leaking underground storage tanks are a major source of pollution of ground water. Congress has addressed this problem by establishing the leaking underground tank program and the leaking underground tank trust fund. What data does the EPA have indicating the need for cleanup of leaking tanks from the States? Is there an estimate of the cost of this effort by the States?

Answer: In Spring 1987, EPA asked States to provide reasonable estimates of anticipated 1988 accomplishments and needs in addressing Leaking Underground Storage Tanks (LUST). Forty-eight States and four territories reported that they anticipated as many as 9,555 site investigations, 9,270 enforcement actions, and 4,239 site cleanups would need to be conducted in FY 1988, with costs ranging from $79.5 million to $150.2 million. Based on State program status and lag-time associated with startup of the LUST program, the program estimated that only one-third to one-half of the anticipated efforts could be addressed by States in FY 1988. Given available resources and the above-mentioned limiting factors, the State estimates provided in 1987 are reasonable for anticipated FY 1989 accomplishments and funding needs.

LEAKING UNDERGROUND STORAGE TANKS (LUST) TRUST FUND

Question: What is the current balance of the Trust Fund?

Answer: The Department of Treasury's most recent status report for the LUST Trust Fund (dated Feb. 22, 1988) identifies a balance of $107.5 million as of December 31, 1987.

Question: Why has the Agency not requested appropriations from the Fund closer to estimated need?

Answer: The Agency's request does correspond to estimates of real need for the LUST response program. The ability of States to respond to leaking tanks depends significantly on the level of their program development and their response capabilities. Given the lag-time associated with startup of the LUST program and the status of State program development, the request funds a realistic and expanding response program.

The Agency's request represents an increase of $10.1 million over 1988 levels of $30.4 million for cooperative agreements to the States. This significantly expands State resources to address threats from leaking underground storage tanks and is commensurate with anticipated State response capabilties. States are expected to target their response resources to abandoned sites or sites where the owner/operators are unwilling or unable to conduct necessary corrective actions.

It is worth noting that owner/operators have the primary responsibility for cleanup activities, and are currently conducting most cleanups: as much as 85 percent in some States.

MOBILE SOURCE PROGRAM

Question: If the agency provided 50% more funding to the mobile source program, what activities would be pursued that are now being foregone due to financial limitations? Please make a similar assessment for a 25% and 10% increase in funding.

Answer: On balance, the Agency has made its priority decisions and the budget request reflects the Administrator's decisions on what is an adequate program. Given the importance of the mobile sources control program, the budget request includes an increase of about $950,000 in Abatement, Control & Compliance (AC&C) funds, or an increase of about 18% in resources for contracted work. This level of increased funding is essential for proper enforcement of mobile source standards and regulations, furthering the use of alternative fuels, and addressing the causes and solutions to the severe carbon monoxide nonattainment problem. Additional increases in funding are not requested in the budget given the overall balancing of needs already made.

VEHICLES TESTED FOR MOBILE 4

Question: How many vehicles were tested in the database for MOBILE1 and how many will be tested for MOBILE4? Is there any reason to assume that increased funding would not provide for an increase in the number of vehicles tested?

Answer: MOBILE1 was released in 1978. At that time, there were about 5,300 vehicles (autos and light trucks) tested for the Emission Factor Program which provides the database for the MOBILE models. MOBILE4 will be released this year, incorporating data on 400 light-duty vehicles and 300 light-duty trucks tested since the issuance of MOBILE3 in 1984. There are approximately a total of 11,900 vehicles in the database for MOBILE4. This latter figure is a cumulative total of vehicles tested since 1970.

Generally, increased funding for the Emission Factor Program would result in an increase in the number of vehicles tested. There is the possibility that increased funding would be used to add tests rather than vehicles to the sample. As an example, for a given level of funding, it may be possible to test 100 cars at 75°F or to test 50 cars at both 20°F and 75°F. However, we do not recommend increased funding since we have underway test programs that should address the most pressing data needs.

DRINKING WATER ORGANIZATION

Question: The Agency is in the process of developing a major new set of drinking water standards. The effective operation of the program is important if the deadlines for development of standards are to be met. Does the Agency anticipate meeting the deadline for publication of standards required by SDWA?

Answer: The Agency does not anticipate problems in meeting the statutory deadlines for the majority of drinking water standards; however, exceptions should be noted for the surface water treatment rule (SWTR), lead, disinfection, and inorganic synthetic chemical regulations.

The SWTR and microbiological rules were proposed in November 1987. Extensive public comments were received. Consequently, portions of the proposal are being reconsidered and the public comment period has been extended to allow for comments on the new options. This will delay the final rules until the late fall of 1988, or approximately one year behind schedule.

The Agency is moving as quickly as possible to address the serious concern of lead in drinking water. The potential health risks of lead are clear. Determining the precise regulatory level will be a significant scientific and regulatory challenge. A draft proposal has been issued and is undergoing internal Agency review. Our goal is to promulgate a final rule by the end of 1988.

Regulations for the 40 Inorganic/Synthetic chemicals are expected to be promulgated by Spring of 1989, or less than one year behind the statutory schedule. This delay is caused by the large number of chemicals the Agency is attempting to include in one package, as well as several challenging issues related to potential health effects and available treatment and analytical methods, which must also be considered.

Disinfection requirements for surface water systems will be included with the SWTR ahead of the 1989 statutory deadline. Requirements for ground-water disinfection will be delayed, pending the availability of essential scientific information regarding by-product compounds and their toxicity and control. In order to address the competing of microbiological pathogens and the chronic disease risks of by-product chemicals, the Agency plans to promulgate disinfection treatment rules and by-product MCLs simultaneously.

Question: Is the proposed budget sufficient to meet SDWA deadlines?

Answer: The Agency believes its budget request is sufficient to sustain this program and provide for the remaining SDWA Amendment requirements to be met. The delays experienced to date reflect the inevitable lengths of time it takes to deliberate the issues and review relevant facts presented by EPA's own experts and by the public rather than resource constraints. The Agency has an obligation to thoroughly examine health risks, engineering costs/factors, and monitoring technologies and to include these provisions in the rules to ensure the most effective environmental results.

ROMNET SYSTEM

Question: When will ROMNET be operational and able to provide useful information to States in transport corridors for SIP preparation? How much funding would be needed to make ROMNET available for SIP revisions in 1990? 1989?

Answer: The results of ROMNET will be available to States in the Northeast by October 1990. The States will then need 2 to 3 years to prepare SIP revisions using the ROMNET information in urban scale modeling. The estimated level of funding for ROMNET is shown in the attached table.

For several reasons, additional funding would not shorten the ROMNET completion date to 1989. Specifically, the program critical path involves various computer intensive steps such as the development and manipulation of large emissions and aerometric data bases and multiple, iterative applications of the Regional Oxidant Model (ROM) for control strategy scenarios. The time required for these tasks is, to a large extent, contingent upon the capacity of available computer systems, not funding levels. Moreover, a significant amount of time will be necessary for the many States and EPA offices participating in the program to review the ROM predictions and revise strategies to ensure the utility of results to the SIP process.

RESEARCH ON THE LONG-TERM HEALTH EFFECTS OF OZONE

Question: What research on the long-term health effects of ozone exposure will be conducted in FY 89?

Answer: Research on the long-term effects of ozone on human health will primarily involve expansion of projects already started involving multi-hour and subacute exposures which will permit (1) elucidation of the intricate relationships among exposure concentration, duration, and activity levels; (2) elucidation of whether cellular changes in the lung are indicators of irreversible injury or of repair mechanisms that are part of the normal protection process; and (3) whether effects observed are more severe from constant, low-level exposure or from intermittent patterns of exposure in which the concentrations rise from near zero to peaks lasting several hours. These projects will utilize animal, human clinical, and where appropriate, epidemiological studies.

RESEARCH ON THE HEALTH EFFECTS OF AN OZONE 0.08 PPM STANDARD

Question: What research on the health effects of a 0.08 ppm ozone standard will be conducted in FY 89?

Answer: In FY 89 we plan to conduct studies on human exposure-response relationships on volunteers exposed experimentally to 0.08 to 0.12 ppm ozone for 6.6 hours. These subjects will be both from healthy populations and from individuals with sensitive or diseased airways. Various pulmonary function responses will be measured, as well as inflammatory alterations in the upper and lower airways of the subjects.

RESEARCH ON A ONE-HOUR SO_2 STANDARD

Question: What research on a one-hour SO_2 standard will be conducted in FY 89?

Answer: Research in FY 89 to assess a one-hour SO_2 standard will include the evaluation of possible interactions between exposure to SO_2 and other environmental factors known to produce bronchoconstriction in asthmatic subjects. Cold and dry air, for example, are well known as naturally occurring factors which will produce respiratory distress in asthmatics. The possible synergistic effects of SO_2 combined with cold and dry air will be investigated. Likewise, we plan to investigate the interaction of SO_2 and Sulfuric Acid.

ACID RAIN - RELATED ANALYSES

Question: Please provide a list of all ICF or Pechan analyses of total loadings of sulfur dioxide or other acid rain-related analyses conducted for the agency by any contractor in the past year.

Answer: The listing you requested follows:

1. Assessment of National and Regional Acid Deposition Precursor Emission Trend (Pechan and Associates)
2. Review of Electric Utility Data for the 1985 NAPAP Emissions Inventory (Pechan and Associates)
3. Proposed Contents of the 1985 National Utility Reference File (Pechan and Associates)
4. Historic Emissions, Energy, and Economic Information (Pechan and Associates)
5. Environmental Trends Analysis Model Emission Projections (Pechan and Associates)
6. Comparison of Historic SO_2 and NOx Emission Data Sets (Pechan and Associates)
7. Historic Emissions of Volatile Organic Compounds in the United States from 1900 to 1985 (Pechan and Associates)
8. Ohio/Kentucky/TVA Coal-Fired Utility SO_2 and NOx Retrofit Study (Radian Corp.)
9. Assessment of Physical Coal Cleaning Practices for Sulfur Removal (Science Applications International Corp.)
10. Cost of Controlling Directly Emitted Acidic Emissions from Major Industrial Sources (Radian Corp.)
11. Control Technologies for Reducing Emissions of SO2 and NOx from Exiting Coal-Fired Utility Boilers (Radian Corp.)
12. Development of the 1985 NAPAP Emissions Inventory - Annual Anthropogenic Emissions Data for the United States (Alliance Technologies Corporation).

SECONDARY STANDARD FOR OZONE

Question: What research on the secondary standard for ozone (i.e. crop damage, etc.) will be conducted in 1989?

Answer: Since research on crop damage from ozone is essentially complete, emphasis in FY 89 will shift to development of exposure responses for forests. This research will determine exposure responses of sensitive forest species to provide data for process models. Major activities will include: reviewing existing literature on ozone sensitive forest species; developing preliminary screening work to identify appropriate sensitive species for experimental work; and identifing geographical areas in the U.S. with both chronically high ozone concentration and ozone sensitive forest species (possibly spruce). The forest effects data along with the crop damage data will be used in assessing a secondary ozone standard.

RESEARCH FUNDING FOR HEALTH EFFECTS OF OZONE

Question: How does funding for health effects of ozone for FY 89 compare to FY 80 and FY 88 levels? What are the differences in research activities?

Answer: Health effects research on ozone is funded at about the same level in FY 89 as in FY 81. Exact data for FY 80 is not available.

EPA Health Effects of Ozone Research

(Dollars in thousands)

FY81 ACTUAL	FY88 CURRENT EST.	FY89 PRES. BUD.
$3,483.8	$3,396.0	$3,396.0

In FY 81, ozone research focused on toxicology studies of animal lung host defenses and investigations of the effects on the pulmonary function of normal individuals exposed to high levels of ozone while at rest. Some epidemiological studies were included. Having learned from these and other studies in the late 70's and early 80's, research has progressed to defining a wider array of acute and chronic effects and the exposure scenarios responsible for those effects. This enables a better estimate of the health risks to animal and sensitive subpopulations from ozone exposures.

RISK ASSESSMENT

Question: EPA has made a major effort to develop risk assessment methods and to evaluate risks in all types of settings. And, the budget is supporting this effort, including a new initiative titled "Reducing the Uncertainties of Risk Assesment" at a cost of about $10 million.

Last year, the Agency published a report called the Unfinished Agenda, which outlined a whole range of environmental problems and possible health risks. There was some discussion that this might be used for setting the EPA budget. -- Where is EPA going with this risk assessment work?

Answer: Traditionally, the focus of much of EPA's regulatory analyses was on economic measures of impact and fairly gross measures of environmental improvements such as the number of tons of pollutants removed from the environment. Risk assessment provides a new dimension to regulatory analysis by providing the decision-maker with more refined estimates of the public health benefits of his actions. Within EPA and many of its regulatory programs, risk assessment has become a powerful tool for supporting decisions, and is often equal to economic analysis in its usefulness.

Risk assessment as an emerging discipline is challenged by scientific uncertainy at several stages. Because of our commitment to using risk assessment, the Agency is committed to improving the credibility, consistency, and range of application of risk assessment and its analytic tools.

EPA has initiated a number of new efforts to improve Agency risk assessments. RURA (Reducing Uncertainties in Risk Assessment) is the most visible new initiative. RURA represents a coordinated research program developed in response to a House Appropriation Committee Report during the summer of 1987. RURA is being coordinated with each of EPA's research committees and will be peer reviewed by the Science Advisory Board.

RURA research will focus on developing: (1) dose-response models with a better biological basis, (2) pharmacokinetic models, (3) methods for uncertainty analysis, and (4) improved exposure assessments. Each RURA project will be selected on the basis of its significance, tractability, and usefulness.

Beyond risk research, EPA has set up institutional mechanisms to resolve risk assessment and risk management issues. Primary examples of these mechanisms include the Risk Assessment Forum, and the Risk Assessment Council. The Forum represents the

Agency's scientific arm and is made up of respected scientists from across EPA. The Forum serves as a means for the Agency's scientists to openly discuss risk assessment issues, resolve conflicts in methods or data, and set certain elements of Agency risk assessment policy. The Risk Assessment Council is comprised of senior level EPA decision-makers and is responsible for resolving any EPA risk management issues or conflicts.

EPA's Risk Assessment Forum has been recently expanded to include exposure issues. The potential for near-term improvements in exposure assessment is great. Initially, the Forum will focus on guidelines for defining typical and worst case exposure scenarios, and on guidelines for model validation and peer review.

The success of the Risk Assessment Forum has led to expansion of the risk assessment paradigm to include ecological effects as well. As its first ecological initiative, the Council has set up the Ecotoxicity Subcommittee. The Subcommittee's charge is to identify ecological effects of concern to EPA, and to develop guidelines for assessing ecological risk. This first phase is expected to be completed by September, 1988.

EPA's commitment to improving risk assessments has led to the formation of the Science-Policy Integration Branch (SPIB) within the Office of Policy, Planning and Evaluation whose responsibilities include the analysis of risk assessment science issues and their implications for regulatory policy. For example, SPIB staff are working with the Office of Research and Development and other EPA offices to develop better methods for assessing noncancer health risks, evaluating the ecological risks from toxic sediments and identifying plausible management options, and developing improved methods for assessing the risks from subchronic exposures to hazardous air pollutants.

Question: How do you see risk related judgements and priorities fitting into the direction Congress gives you in statutes? For example, if Congress holds hearings and decides we need a major new nonpoint pollution program, but your risk models show that that is a low level problem, what do you do?

Answer: The type of research program envisioned under RURA should produce data that will reduce uncertainties associated with the risk assessment process. This will, in turn, increase the confidence of the risk manager in making chemical or media-specific decisions under existing legislative mandates. We would hope that Congress would give careful consideration to the expert judgment of EPA on both the severity of environmental problems and the relative advantages of various control options. At the same time, EPA recognizes that in addition to risk, there are other and equally legitimate considerations in fashioning environmental policy. Thereafter, if Congress were to decide that a problem warrants more attention than our analyses of the risk posed by that problem indicates, we would act in accordance with the legislation and appropriations enacted.

Question: How do you see this risk approach fitting into budget setting and priority setting more generally?

Answer: Through its authorization and appropriations Committees, the Congress plays a most significant role in determining the Agency's budget priorities. However, the magnitude and distribution of risk to people and ecosystems are issues both the Agency and Congress should take into account in identifying priorities for funding. Where there is flexibility in the statutes, other factors that should be considered in setting priorities include the technical feasibility of control options, public perceptions, equity, the social value of the activity causing the problem and the opportunity for personal action to incur or avoid the risk. These influence EPA's options for how best to respond to problems and our recommendations to Congress for legislative actions.

Question: Do you agree that there should be more communication between the EPA and the Congress on what you are doing in the risk area? Do you have ideas on how this might be improved?

Answer: The Agency agrees that more communication about this subject is particularly important because we feel that the concept of risk is a very useful tool that should be used to enhance understanding and discussions about environmental issues. With this in mind, we have invited a number of Congressional staffers to several conferences we have held over the past three years to have free and open discussion on this subject. We have scheduled another such conference for this April on the issue of using risk as a factor in priority setting, building off the Unfinished Business report, to which you referred. Once again we have invited a number of Congressional staffers; Congressman Boland will also speak. We have also spent time discussing these issues with Congressional staff on an informal basis. The more opportunities that we have to discuss these issues in an atmosphere that is not politically charged, the more likely it is that we will increase our mutual understanding of the problems that concern us all.

ACID RAIN HEALTH RESEARCH

Question: What research on the adverse health effects of acid rain is being conducted by EPA?

Answer: EPA is focusing research on indirect human health effects of "acid deposition" primarily in two areas.

- Research is being conducted on possible bioaccumulation of toxic metals (primarily mercury) in fish. Toxic metals can indirectly effect human health when fish contaminated with these metals are eaten. Fish can bioaccumulate toxic metals when soils (land or lakebottoms) exposed to acid rain leach metals from the soils into the water.
- Research is also examining the potential of toxic metals dissolving into susceptible drinking water systems (e.g. shallow aquifers and cisterns).

Research on human health effects from acid deposition precursors (SO_2 and NO_2) is also being conducted under the "NAAQS Research Program". Any health research findings under this program are adaptable to the "Acid Deposition Program".

TEST PROTOCOLS FOR FUELS

Question: When will test protocols for new fuels and fuel additives be proposed? Have budget limitations had any impact on this schedule, since the protocols were to have been issued within a year after enactment of the 1977 amendments?

Answer: EPA has developed a draft development plan for fuel and fuel additive test protocols and is planning to publish an Advance Notice of Proposed Rulemaking in June 1989. The proposed rules will be developed subsequently, but no date has yet been set.

The Agency has been struggling with the complexity of this area since 1977. The issue is very technically complex and potentially very costly. Other pressing air priorities, such as ozone, carbon monoxide and known toxics, have played a role in limiting the amount of resources which could be applied to the test protocols.

EMISSIONS TESTING OF VEHICLES

Question: How many vehicles were tested in the emission factor program in FY 80 and how many will be tested in FY 89?

Answer: Approximately 2,145 vehicles were tested in fiscal year 1980 in the Emission Factor Program. EPA expects to test between 75 to 200 vehicles in fiscal year 1989. We have reduced our testing of in-use vehicles to be able to concentrate on work related to the development of emissions data supportive of the ongoing on-board and volatility rulemaking activity. We believe that the level of testing has been adequate to meet the Agency's information needs for emissions factors.

MOBILE SOURCE PROGRAM

Question: How many FTE's were in the mobile source program in FY 81 and how many are in the FY 88 program?

Answer: In FY 1981 the Mobile Source Program used 428 FTEs. In FY 1988, the budget provides 309 FTSs. The mobile source program was reduced in order to accommodate activities needed to address emerging environmental problems.

VEHICLE INSPECTION IN URBAN AREAS

Question: Many urban areas now have some form of vehicle inspection and maintenance. Many of those programs need additional assistance to produce the needed and anticipated air quality improvements. What funding is EPA providing to these areas for their I/M programs? How has this funding changed since 1980?

Answer: EPA has provided money to Inspection/Maintenance (I/M) programs through the Clean Air Act ¶105 grant mechanism. These grants to State and local government agencies have been mainly used for program start-up activities, such as developing regulations or specifications, buying equipment, conducting special surveys or studies and the like. In addition to initial start-up assistance, EPA has provided ¶105 grants for the purpose of resolving a particular problem or making specific improvements to the operating I/M program. The funding provided annually to States reflects primarily the number of programs being initiated during the year. Therefore, since the number of start-ups has steadily decreased from 1980, funds required to support I/M has also been reduced.

MOBILE SOURCE PROGRAM

Question: What activities will not be pursued in FY 89 that were pursued in any or each of the last 8 years (i.e., how has the program changed in the last 8 years)? Please be as specific as possible, such as the number of inspections, review of standards, etc.

Answer: Generally we are pursuing all of the activities that were pursued eight years ago. We have, however, reduced certain activities over this period. For example, in FY 1980, EPA inspected 16,065 retail fuel outlets. In FY 1989, 4,000 inspections are planned. This level of reduction in activity is due to program changes. With the drastic reduction in the availability of leaded gasoline resulting from the lead phase-down rules there is a lowered need for field enforcement activity aimed at lead-in-gasoline at the retail outlet level.

The evaluation of fuel economy devices is another example of program change. The drop in the price of gasoline may have reduced the incentives for inventors to request EPA evaluations. In addition, the costs that an inventor has to incur to provide data to EPA before EPA evaluates a device may also act as a deterrent in seeking an EPA evaluation.

POPULATION IN NONATTAINMENT AREAS

Question: How many people lived in nonattainment areas in 1987 (or 1986 if information is not available)? How many people lived in nonattainment areas in 1980?

Answer: Carbon monoxide (CO) nonattainment can be areawide in nature as well as localized hot spot problems. Thus, it is extremely difficult to reliably estimate the portion of the population of a nonattainment area that is actually exposed to the pollutant. However, EPA's recent "National Air Quality and Emissions Trends Report, 1986" estimates that more than 41 million people live in counties where there are violations of the CO standard. Ozone, on the other hand, is an areawide problem, so estimates can be made with more confidence for that pollutant. In the 1985-87 time frame, approximately 75-90 million people lived in areas of the country that experienced violations of the ozone air quality standards on one or more days.

NONATTAINMENT AREAS IN 1986 AND 1980

Question: How many areas believed to be nonattainment in 1986 (or the most recent year for which there is information) were nonattainment in 1980?

Answer: Earlier tabulations of nonattainment areas were kept in a variety of formats (city, county, metropolitan areas, air quality control regions, etc.), so it is difficult to compare these listings with more recent ones. The best listing of current problem areas is in Appendix A of the proposed post-1987 ozone and carbon monoxide policy, published on November 24, 1987 (attached).

Appendix A.—Potential 1988 SIP Call Areas

TABLE A-1.—POTENTIAL 1988 SIP CALL AREAS—OZONE

EPA region and area	Exceeding NAAQS 1984–86 (a)	Will exceed NAAQS 1985–87 (b)	May exceed in 1985–87, depending on 1987 data (c)
Metropolitan Statistical Areas (MSA unless marked CMSA)			
I Boston, MA CMSA	YES	YES	
I Connecticut/Massachusetts,[1] CT–MA	YES	YES	
I New Bedford, MA	YES	YES	
I Portland, ME	YES	YES	
I Portsmouth-Dover, NH–ME	YES	YES	
I Providence, RI CMSA	YES	YES	
I Worcester, MA	YES		YES
II Atlantic City, NJ	YES	YES	
II New York, NY CMSA	YES	YES	
III Allentown-Bethlehem, PA	YES		YES
III Baltimore, MD	YES	YES	
III Charleston, WV			YES
III Erie, PA			YES
III Harrisburg, PA			YES
III Lancaster, PA			YES
III Philadelphia, PA–NJ–DE CMSA	YES	YES	
III Pittsburgh, PA CMSA			YES
III Reading, PA			YES
III Richmond, VA			YES
III Washington, DC–MD–VA	YES	YES	
III York, PA			YES
IV Atlanta,[2] GA	YES	YES	
IV Birmingham, AL	YES	YES	
IV Charlotte, NC–SC	YES	YES	
IV Huntington, WV–KY–OH	YES	YES	
IV Jacksonville, FL	YES		YES
IV Lexington, KY	YES	YES	
IV Louisville, KY (IN suburbs [2])	YES	YES	
IV Memphis, TN–AR–MS	YES	YES	
IV Miami-Hialeah, FL CMSA	YES	YES	
IV Nashville, TN	YES	YES	
IV Tampa, FL	YES		YES
V Chicago,[2] IL CMSA (IN suburbs [2])	YES	YES	
V Cincinnati, OH–KY–IN	YES		YES
V Cleveland, OH	YES		YES
V Dayton-Springfield, OH			YES
V Detroit, MI CMSA			YES
V Grand Rapids, MI			YES
V Indianapolis, IN	YES		YES
V Janesville-Beloit, WI			YES
V Milwaukee, WI	YES	YES	
V Muskegon, MI	YES	YES	
VI Baton Rouge, LA	YES	YES	
VI Beaumont-Port Arthur, TX	YES	YES	
VI Dallas-Ft. Worth,[2] TX CMSA	YES	YES	
VI El Paso, TX	YES	YES	
VI Houston, TX CMSA	YES	YES	
VI Lake Charles, LA	YES		YES
VI Longview-Marshall, TX	YES		YES
VI Tulsa, OK	YES	YES	
VII Kansas City, MO–KS	YES		YES
VII St. Louis, MO–IL CMSA (IL suburbs [2])	YES	YES	
VIII Denver-Boulder, CO CMSA	YES		YES
VIII Salt Lake City, UT	YES	YES	
IX Bakersfield,[2] CA	YES	YES	

TABLE A-1.—POTENTIAL 1988 SIP CALL AREAS—OZONE—Continued

EPA region and area	Exceeding NAAQS 1984–86 (a)	Will exceed NAAQS 1985–87 (b)	May exceed in 1985–87, depending on 1987 data (c)
IX Fresno,[2] CA	YES	YES	
IX Los Angeles,[2] CA CMSA (Ventura [2])	YES	YES	
IX Modesto, CA	YES	YES	
IX Phoenix, AZ	YES	YES	
IX Sacramento,[2] CA	YES	YES	
IX San Diego, CA	YES	YES	
IX San Francisco, CA CMSA	YES	YES	
IX Santa Barbara, CA	YES		YES
IX Stockton, CA	YES	YES	
IX Visalia, CA	YES	YES	
IX Yuba City, CA	YES	YES	
X Portland, OR–WA	YES		YES
Non-MSA's			
I Acadia National Park, ME			YES
I Gardiner, ME	YES		YES
I Hancock County, ME	YES		YES
I Knox County, ME	YES	YES	
I York County, ME	YES	YES	
III Dover, DE			YES
III Northampton County, VA			YES
III Seaford, DE			YES
VI Iberville Parish, LA	YES	YES	
VI Point Coupee Parish, LA	YES		
VI St. James Parish, LA	YES		
Total	62	45	31

[1] Connecticut/Massachusetts includes Bristol, Hartford, Middletown, New Britain, New Haven, and New London, CT, and Springfield, MA MSA's.

[2] One of 14 ozone or CO SIP's proposed for disapproval, July 14, 1987 (52 FR 26404)

Explanation of Column Headings:

(a) Locations having expected exceedances of 0.12 ppm greater than 1.0 per year during 1984–86.

(b) These areas are above 0.12 ppm and have measured more than three exceedances during 1985 and 1986. They will continue to exceed the NAAQS during the 1985–87 period even if no exceedances occur in 1987.

(c) Areas currently exceeding NAAQS and showing "YES" in this column measured 3 or fewer exceedances in last 2 years (1985–86). Other areas are not currently exceeding NAAQS, but did so during 1983–85, and may show renewed nonattainment in 1985–87. SIP calls in 1988 for areas in this column will depend on 1987 data. Other areas may also exceed in 1985–87 (see Discussion).

Table A-2.—POTENTIAL 1988 SIP CALL AREAS—CARBON MONOXIDE

EPA region and area [3]	Exceeding NAAQS 1985–86 (a)	Will exceed NAAQS 1986–87 (b)	May exceed in 1986–87, depending on 1987 data (c)
I Boston, MA	YES	YES	
I Hartford, CT	YES	YES	
I Lowell, MA–NH			YES
I Manchester, NH	YES	YES	
I Nashua, NH	YES	YES	
I Providence, RI	YES		YES
I Springfield, MA	YES	YES	
I Stamford, CT		YES	
I Worcester, MA		YES	
II Bergen-Passaic, NJ	YES	YES	
II Jersey City, NJ	YES	YES	
II Nassau-Suffolk, NY			YES
II New York, NY	YES	YES	
II Newark, NJ	YES	YES	
II Syracuse, NY	YES	YES	
II Trenton, NJ			YES

Table A-2.—POTENTIAL 1988 SIP CALL AREAS—CARBON MONOXIDE—Continued

EPA region and area [a]	Exceeding NAAQS 1985–86 (a)	Will exceed NAAQS 1986–87 (b)	May exceed in 1986–87, depending on 1987 data (c)
III Baltimore, MD	YES	YES	
III Norfolk-Virginia Beach, VA			YES
III Philadelphia, PA–NJ			YES
III Pittsburgh, PA	YES	YES	
III Washington, DC–MD–VA	YES		YES
IV Atlanta, GA			YES
IV Birmingham, AL			YES
IV Charlotte-Rock Hill, NC–SC	YES		YES
IV Greensboro/Winston-Salem, NC			YES
IV Lexington, KY			YES
IV Louisville, KY			YES
IV Memphis, TN–AR–MS	YES	YES	
IV Miami-Hialeah, FL	YES		YES
IV Nashville, TN	YES	YES	
IV Raleigh-Durham, NC	YES	YES	
V Chicago, IL			YES
V Cleveland[4], OH	YES	YES	
V Davenport-Rock Island, IA–IL			YES
V Detroit, MI	YES	YES	
V Duluth, MN	YES	YES	
V Milwaukee, WI			YES
V Minneapolis/St. Paul, MN–WI	YES	YES	
V Peoria, IL			YES
V Rockford, IL			YES
V Steubenville-Weirton, OH–WV	YES		YES
V St. Cloud, MN	YES		YES
V Toledo, OH			YES
VI Albuquerque, NM	YES	YES	
VI Dallas, TX	YES		YES
VI El Paso, TX	YES	YES	
VI Houston, TX	YES	YES	
VI Oklahoma City, OK	YES	YES	
VII Des Moines, IA			YES
VII Dubuque, IA			YES
VII Kansas City, MO–KS			YES
VII Lincoln, NE	YES	YES	
VII Springfield, MO	YES	YES	
VII Wichita, KS	YES	YES	
VIII Boulder-Longmont, CO	YES		YES
VIII Colorado Springs, CO	YES	YES	
VIII Denver,[4] CO	YES	YES	
VIII Fort Collins, CO	YES	YES	
VIII Greeley, CO	YES	YES	
VIII Missoula, MT	YES		YES
VIII Provo-Orem, UT	YES	YES	
VIII Salt Lake City-Ogden, UT	YES	YES	
IX Anaheim-Santa Ana, CA	YES	YES	
IX Chico, CA	YES	YES	
IX Fresno,[4] CA	YES	YES	
IX Las Vegas, NV	YES	YES	
IX Los Angeles-Long Beach,[4] CA	YES	YES	
IX Modesto, CA	YES	YES	
IX Phoenix, AZ	YES	YES	
IX Reno,[4] NV	YES	YES	
IX Sacramento, CA (includes S. Lake Tahoe area)	YES	YES	
IX San Diego, CA	YES		YES
IX San Francisco, CA	YES	YES	
IX San Jose, CA	YES	YES	
IX Santa Barbara-Santa Maria, CA	YES		YES
IX Tucson, AZ			YES
IX Vallejo-Fairfield-Napa, CA	YES	YES	
X Anchorage, AK	YES	YES	
X Boise City, ID	YES	YES	
X Fairbanks, AK	YES	YES	
X Grants Pass, OR	YES	YES	

Table A-2.—POTENTIAL 1988 SIP CALL AREAS—CARBON MONOXIDE—Continued

EPA region and area [a]	Exceeding NAAQS 1985–86	Will exceed NAAQS 1986–87	May exceed in 1986–87, depending on 1987 data
	(a)	(b)	(c)
X Medford, OR	YES	YES	
X Portland, OR			YES
X Salem, OR	YES		YES
X Seattle, WA	YES	YES	
X Spokane, WA	YES	YES	
X Tacoma, WA	YES	YES	
X Yakima, WA	YES		YES
Total	65	52	36

[a] Generally, the area includes the MSA if one exists. In some cases (e.g., the Sacramento, CA MSA) the air quality status may be based on a site distant from the central urban area.

[x] One of 14 ozone or carbon monoxide SIP's proposed for disapproval July 14, 1987 (52 FR 26404)

Explanation of Column Headings:

(a) Locations with at least two exceedances of 9 ppm during 1985 and/or 1986.

(b) Areas with at least two exceedances of 9 ppm in 1986. They will continue to exceed the NAAQS during the 1985–87 period even if no exceedances occur in 1987.

(c) Areas in this column are:

1. Exceeding the NAAQS, but did not measure more than one exceedance in 1986, or
2. Not exceeding the NAAQS, but did so during 1984–85.

SIP calls in 1988 for these areas will depend on 1987 data. Other areas may also exceed NAAQS in 1986–87 (see Discussion).

Appendix B—Procedures for Determining Self-Generating Versus Nonself-Generating Isolated Rural Area

The EPA defines a rural area either as an adjacent rural area, a self-generating isolated rural area or as a nonself-generating isolated rural area. (All rural areas are non-MSA's.) An adjacent rural area is a county with actual monitored violations of ozone that borders a MSA that has been issued a SIP call for ozone. A self-generating isolated rural area is an area that produces, or significantly contributes to, local ambient ozone levels. These areas cannot rely upon upwind areas to provide for attainment in the isolated rural area. Self-generating isolated rural areas will most likely have to adopt additional control measures to demonstrate attainment. A nonself-generating isolated rural area is one that does not significantly contribute to local ambient levels of ozone. Attainment of the ozone standard in a nonself-generating isolated rural area will occur when sufficient emissions reductions have been achieved from the upwind sources to cause the ambient concentrations of ozone to decrease to the NAAQS in the isolated rural area.

"Self-Generating Tests"

The EPA believes several, simple tests can be performed by the State to determine if an isolated rural area is a self-generating ozone area. Data used for determination of self-generating ozone areas should be taken from the most recent "ozone season" and should be based upon generally recognized data analysis techniques.

(1) Ozone Gradient—These tests require upwind and downwind ozone monitors for the rural site. If an increase in ambient levels of ozone is observed between the upwind and downwind monitors, local emissions may be responsible for generating the ozone increment. If no increase in ambient levels are shown between the upwind and downwind sites, the area may be classified as a nonself-generating isolated rural area. An area defining itself as a nonself-generating isolated rural area is to identify the upwind source area(s) that is causing, or in combination with other areas contributing to, local nonattainment.

(2) Time of Ozone Peaks—Locally produced ozone typically occurs between 12 noon and 6 pm. Peaks observed outside of these hours may be caused by transported ozone from upwind areas.

At times of day when ozone would be highest (i.e., when the gradient, if one exists, might be most significant), large vertical differences in ozone concentrations would not be anticipated. The number of days which would have to demonstrated as due to transport would depend on the total number of exceedances and on whether or not "transport" days can be attributed to a particular upwind MSA and that MSA's SIP adequately accounts for the day in question. For a 3-year period:

Number of Exceedances	Number Transport	Allowable self-generated exceedance
n (n>4)	n–3	0
Do	n–2	1
Do	n–1	2
Do	n	3

(3) Distance From Upwind Source Area—If the isolated rural area is (a) within 10 hours travel time of an upwind MSA, (b) no gradient is present, and (c) trajectory analysis based on surface wind data indicates that the air parcel corresponding with observed violations is not likely to be in the vicinity of the rural area between early morning and noon, the rural area may be assumed nonself-generating and the upwind MSA may be presumed to be responsible for the isolated rural area's ozone levels.

The EPA Regional Offices will work with the States in determining the proper test or data needs to determine if an isolated rural area is self-generating or nonself-generating.

CO/OZONE NONATTAINMENT INFORMATION

Question: When will nonattainment information for 1987 be available (i.e., design values for areas)?

Answer: Anticipating the earlier than usual need for ozone and carbon monoxide design values incorporating 1987 data, EPA instituted a "Fast Track" system to accelerate data reporting for these two pollutants. A subset of critical monitoring sites was identified and selected data from these sites was requested on an expedited schedule. These data are now being received and reviewed and the design values for ozone and carbon monoxide will be available by mid-April.

SANCTIONS IN NONATTAINMENT AREAS

Question: How many of the 1986 nonattainment areas could have had sanctions applied against them since 1977 but did not?

Answer: It is EPA's position that sanctions are invoked for failure to plan, not for failure to attain, so nonattainment would not be the sole determining criterion. Most 1986 nonattainment areas are either extension areas or SIP call areas with attainment deadlines of December 31, 1987, so the air quality analysis to determine if they have missed the deadline is not yet complete. EPA proposed disapprovals for 14 areas on July 14, 1987, for failure to plan. These disapprovals would impose a construction ban if they become final. South Coast, CA, has already been published as a final, with the construction ban scheduled to go into effect after August 31, 1988, when Congress' restriction on sanctions is removed.

VISIBILITY MONITORING STATIONS

Question: What visibility monitoring stations will be operational in FY 89? How does this compare to FY 88 and FY 87?

Answer: The EPA is involved in operating two visibility monitoring networks. One network, called IMPROVE (Interagency Monitoring of Protected Visual Environments), monitors visibility in 20 national parks and wildernesses. The IMPROVE network started operation in FY 1987 and will continue to be operated at least through FY 1989. The Eastern Fine Particle Visibility Monitoring Network measures visibility at five sites east of the 100th meridian. That network is a planned 5-year monitoring effort which started operation in FY 1988. In addition, the National Park Service, which operates the IMPROVE network, also operates approximately 35 other visibility monitoring sites. These sites are expected to be operated through FY 1989. Other Federal agencies, State and private organizations, are operating special purpose monitoring sites throughout the country. The location and number of these sites vary from year to year.

NONATTAINMENT AREAS IN 1982

Question: How many areas were nonattainment in 1982? How many areas that were nonattainment in 1982 received a notice of SIP-inadequacy from EPA before 1987?

Answer: As of February 1982, 156 counties or portions of counties were designated nonattainment for carbon monoxide (CO) and 486 counties or portions of counties were designated nonattainment for ozone (O_3). Eight nonattainment areas received calls for SIP revisions for CO between 1982 and 1987 while 24 nonattainment areas received SIP calls for O_3 during the same period. (Note: SIP calls were normally made on a county basis although a small number were made for entire metropolitan areas in the case of ozone.)

UNFINISHED BUSINESS REPORT

Question: How much money will the Agency spend to conduct further work on the Unfinished Business report?

Answer: The Agency does not plan to spend more money on the Unfinished Business report per se. However, it is spending about $1,275,000 (intramural and extramural funds) on several related projects which build on the report. The Office of Policy, Planning and Evaluation (OPPE) is conducting six Regional and state integration projects in Regions 1, 3, and 10; in the States of Pennsylvania and Colorado; and at the Turtle Mountain Indian Reservation in South Dakota at a total extramural cost of about $635,000. The primary goal of these projects is to evaluate the transferability of national results to State and Regional circumstances.

OPPE also is extending the national analysis in the Unfinished Business report and preparing to discuss it in a conference with selected representatives from Congress, industry and public groups. The new analysis covers costs of abatement strategies and public mandate for action on various environmental problems. The extramural cost of this extended analysis culiminating in a conference will be approximately $185,000.

REGULATIONS PREPARED BY CONTRACTORS

Question: How many of the agency's regulations issued in the last 5 years were initially prepared by contractors? What fraction of the total number is this? How does this compare to FY80?

Answer: Workgroups composed of EPA-wide staff prepare regulatory actions and supporting documentation. The workgroup supports the lead EPA office in design, technical and analytical work; identifies and assesses principal policy issues and options; and ensures the quality of regulatory packages. Workgroup participants may, and often do, use contractors to support this work in areas such as data collection and analysis. However, it is Agency staff that prepare regulations, not contractors.

TOTAL FUNDING FOR CONTRACTS

Question: How much money does the Agency spend on contract work in FY 88? Please compare to FY 80. Please provide a separate listing for Superfund and for the Air program.

Answer:

DOLLARS OBLIGATED

	FY 80	FY 88
Agencywide	$362 million	$1.2 billion
Superfund	N/A	$800 million
Air *	$49.3 million	$35 million

* In FY 80, the Air program consisted of Air, Noise, and Radiation. In FY 88, the program includes Air and Radiation.

TECHNOLOGY-BASED STANDARDS FOR HAZARDOUS AIR POLLUTANTS

Question: How much would it cost the Agency to switch the hazardous air emissions program from the current structure to a technology-based approach?

Answer: The answer to this question depends on what is meant by a "technology-based approach." Assuming that the question refers to hazardous air pollutant standards established under section 112 of the Clean Air Act, the recent decision in the vinyl chloride case (NRDC vs. Thomas) held that EPA could consider technology, cost, and other such factors in setting standards only after having first decided what level would reduce risks from the regulated pollutant to an acceptable level.

Setting standards solely on the basis of available technology, without considering acceptable risks, would probably not cost the Agency more than the current regime on a per-standard basis. However, legislative proposals now before the Congress such as S.1894 would require EPA to set a larger number of such standards at a more rapid rate than at present. Such proposals could be substantially more costly to the Agency than EPA's currently projected program.

CONTROL TECHNOLOGY GUIDANCE (CTG)

Question: How much would it cost the agency to issue the CTGs required under S. 1894? How does this compare to the costs of issuing each of the previously CTGs?

Answer: The bill would require EPA to issue eleven new CTGs within 2 years. Over the 2-year period, this would cost about $2.2 million in extramural dollars and 15 FTE. We do not have precise information on the costs of producing the original 29 CTCs. We estimate that on a per CTG basis, the original 29 cost somewhat less. The reason is that most of these were developed along with or following development of new source performance standards (NSPS) for the same sources; therefore, substantial technical information was available from which to develop CTGs at a relatively low cost. For the most part, CTGs developed today would not have NSPS from which to draw technical basis, and the estimated costs reflect this fact.

Another provision of the bill would require EPA to revise existing CTGs to be consistent with the new definition of reasonably available control technology. While we have no experience in revising CTGs, we estimate the costs of revising 29 CTGs to be about $6 million and 16 FTE over a four year period.

VAPOR RECOVERY STANDARD

Question: When will the agency promulgate a standard for vapor recovery? Please provide all correspondence between EPA and OMB on the proposed rule.

Answer: The agency plans to promulgate rules for on-board refueling controls in mid-to-late 1989. The long time between proposal and final rule is due to the need to repropose. All correspondence between OMB and EPA regarding the refueling proposal is attached.

PERSONNEL TRANSFERS

Question: How many personnel have been transferred within, to or from ORD within the last 6 months? Within the last 12 months? In FY 86?

Answer: The following information represents new hires and losses of personnel for ORD by fiscal year. Our definition of new hires is personnel hired into our Office of Research and Development (ORD) from outside and inside EPA. Our definition of losses is personnel who left ORD to either other EPA offices or outside EPA. The information regarding tranfers within ORD is not readily available. We will provide this information by the end of April, 1988.

	FY86	FY87	FY88
New Hires	121	105	70
Losses	136	127	38

DRINKING WATER R&D REORGANIZATION

Question: Is the Agency considering reorganizing the research program supporting the drinking water office?

Answer: We are considering reorganizing the Water Engineering Research Laboratory (WERL), the Hazardous Waste Engineering Research Laboratory (HWERL), the Environmental Monitoring and Surveillance Laboratory (EMSL), and the Health Effects Research Laboratory (HERL). A committee has been formed, with representatives from ORD and the program offices to determine how best to combine the WERL and HWERL located in Cincinnati, Ohio. The WERL is responsible for conducting the engineering research to support the drinking water program.

The EMSL Cincinnati is in the process of exploring an internal reorganization and integrating the Microbiology Branch from the Toxicology and Microbiology Division, HERL/Cincinnati, into their structure. EMSL is responsible for conducting research to develop monitoring methodology for drinking water contaminants and for developing the quality assurance and quality control programs.

Finally, HERL has established an internal Organizational Advisory Committee to identify issues and management problems for which the solutions might be facilitated through a change in organization. HERL conducts the health research to support all the Agency's programs including drinking water.

Question: Why is such a reorganization needed?

Answer: This reorganization is needed to increase the effectiveness and efficiency of ORD. The majority of the changes being considered in these reorganizations will reduce administrative overhead, combine similar discipline related research groups, and emphasize maintaining the current ongoing research programs in support of all our clients, including the Office of Drinking Water.

Question: Will this reorganization in any way reduce the ability of the Agency to develop drinking water standards in a timely manner?

Answer: This reorganization should not effect the ability of ORD to support the Agency's ability to develop drinking water regulations and standards in a timely manner. The groups conducting research in these areas currently will continue with their research programs. In no cases will anyone be moved geographically and changes in the laboratory space and equipment used by our scientists will be minimal.

Question: Is there any evidence that reorganization of this effort will result in loss of key scientific staff needed to develop data on drinking water contaminants?

Answer: It is possible that individual scientists will decide to retire or leave the Agency, however, we are not encouraging anyone to leave and we are not going to conduct a reduction in force (RIF). We are making every attempt to reduce the uncertainty and stress associated with these activities by involving key personnel in the reorganization committees, disseminating information to the employees, conducting all hands meetings with senior management staff so employees can ask questions and provide input, and ensure that all critical research programs will be supported with sufficient resources to effectively achieve their goals in a timely and credible manner.

VOLATILITY STANDARD FOR MOTOR VEHICLE FUEL

Question: When will the agency promulgate a volatility standard for motor vehicle fuel? Please provide all correspondence between EPA and OMB on the proposed rule.

Answer: The Agency plans to promulgate rules for gasoline volatility controls in late 1988 or early 1989. All correspondence between OMB and EPA on the volatility proposal is attached.*

*The correspondence referred to has been retained in committee files.

Questions Submitted for the Record by Senator Lautenberg

FY 1989 CARRYOVER

Question: Your '89 Superfund request assumes a $100 million carryover from '88. With almost 1000 sites on the NPL, we assume the needs already exist for this money.

Does this failure to get available funds where they're needed suggest inefficiencies in the program? How much of this carryover is attributable to expected failures by EPA Regional Offices to obligate requested funds? Indicate the amount of carryover attributable to each Region.

Answer: Although we currently anticipate approximately $100 million in carryover from 1988, this estimate is based solely on historical trends. Consequently, the amount of carryover attributable to each Region is not available. Our operating plan does not explicitly reserve $100 million for 1989. However, we have traditionally experienced some carryover in the Superfund program primarily because of the complexity of the remedial projects themselves and the need to make cost estimates for budget purposes well in advance of actual start dates. We anticipate this will continue to be the case in 1988.

Our original site estimates for 1988 were made in November of 1986. This means some estimates had to be made even before the remedy was selected for a site. These estimates are then updated on a quarterly basis as the projects progress. It is normal that start dates shift and cost estimates become more accurate as we get closer to implementing the remedy. In addition, some projects originally planned to be Fund-financed are later taken over by responsible parties. Finally, our remedies are also affected by State readiness, community involvement, and the contracting process.

The fact that we may have $100 million in carryover does not suggest failures or inefficiencies in the system. We are providing the appropriate amount of funds needed to ensure the remedial pipeline progresses without interruption.

Question: How do you justify such carryovers given that this is the third year of the reauthorized program and that EPA had many years of experience with the previously authorized program? Are headquarters and regional offices moving as efficiently as they can to ready sites for remedial funding and activity?

Answer: As stated in response to your previous question, our estimate of carryover available into 1989 is based on historic trends in the execution of Superfund. We are not specifically reserving carryover for 1989. We will be pursuing the full implementation of our program objectives in 1988 and will carryover only those resources that are, in fact, unobligated at the end of the fiscal year.

We believe the Superfund program is moving as efficiently as possible given the statutory requirements we must meet. We have gained valuable experience in implementing new SARA requirements over the past year and as a result, we have begun to streamline the cleanup process.

Most efforts in streamlining the process focus on performing more extensive evaluation work upfront to better define the problem, encouraging interim actions at NPL sites, focusing on alternatives early in the process, reducing project planning timeframes, and encouraging early consensus building among all interested parties. During the final cleanup phases, we will implement alternative contracting strategies to encourage competition and provide award for high contractor performance. Finally, the enforcement program will expand the use of mixed funding agreements and de minimis concepts in approaching responsible parties, and continue to improve the settlement and negotiations processes.

FY 1989 OMB SUPERFUND BUDGET SUBMISSION

Question: How much did EPA propose for Superfund funding prior to OMB review? Break this answer down for each element of the program, including but not limited to enforcement, removal, and remedial funding. For each element provide the amount requested prior to OMB review to the amount in the FY 89 Budget request.

Answer: The 1989 OMB Request was for $1,849,000,000 for Superfund. Major categories of this request are:

	OMB Request	President's Request
Research and Development	$70.5	$66.6
Enforcement	$134.0	$131.5
Management and Support	$102.7	$96.3
Response	$1,541.8	$1,305.6
RI/FS	(80.4)	(80.4)
Remedial Design	(44.3)	(44.3)
Remedial Action	(795.0)	(595.0)
Removal Action	(90.2)	(90.2)
Total	$1,849.0	$1,600.0

ANNUAL REPORT TO CONGRESS

Question: When will Congress receive the annually mandated Superfund Report? What is the status of the Report, and why has it not been sent to Congress to date?

Answer: The schedule is to deliver the EPA Report to Congress on Superfund Implementation Progress in Fiscal 1987 sometime early in June 1988. The Report is being prepared for the EPA Red Border Review, which is scheduled to begin March 24. EPA did not meet the January 1, 1988, deadline for the following reasons:

1. Data Availability. Information required to be included in the Report became available at different times following the close of the fiscal year, e.g., Superfund progress measures (November), site feasibility studies (FS) and Record of Decision (ROD) documents (December), financial and budget data, and information from other Federal departments and agencies.

2. Required Multiple Reviews. After being completed by the Office of Emergency and Remedial Response, the Report must undergo EPA Red Border Review, an interagency review and OMB review. The EPA Office of the Inspector General must complete the audit report required by CERCLA Section 301(h)(2). Also, an Interagency Report Control Number had to be obtained from GSA to request and collect needed information from other Federal departments and agencies.

The Report will contain information required by CERCLA Section 301(h) (1) paragraphs (A) through (G) on EPA's progress in implementing CERCLA, as amended by SARA. The Report does not include information on other non-CERCLA SARA provisions, e.g., Title III or the Radon/Indoor Air Program (Title IV).

SUPERFUND BREAKDOWN OF SITE REMEDIATION ACTIVITIES

Question: Please provide for FY 1989 and all prior years of the Superfund program the percentage of resources--by FTEs and dollars--attributable to actual site remediation. Include in this response the definition EPA uses for site remediation.

Answer: We are providing the percentage of FTEs and dollars attributable to site remediation for 1986 through 1989. We are currently compiling the historic data necessary to respond and will provide that information when it is available.

We have assumed a conservative definition of site remediation and include only the major Response and Enforcement remedial and removal activities. These activities are remedial investigation/feasibility study (RI/FS), remedial design (RD), remedial action (RA), operations and maintenance, removal actions and laboratory analysis. Not included are activities such as: research and development remediation work, direct site management and support, direct site support from other Federal agencies, pre-remedial and pre-removal activities, and other response support provided at specific sites.

PERCENT OF SITE REMEDIATION

	1986	1987	1988	1989
DOLLARS	48%	55%	60%	62%
FTE	30%	29%	28%	29%

FY 1989 SUPERFUND GENERAL REVENUES

Question: How much general revenues are assumed in the FY 89 Superfund request? How does this compare to FY 87 and FY 88?

Answer: General revenues for Superfund are not requested in 1989. We believe that general revenues are not needed in 1989, but may be required in the future to balance budget authority with revenues available from taxes and cost recoveries. General revenues were not needed to meet program needs in 1987 and 1988, and were not requested by the President. However, in 1988 the Congress did provide $239,100,000 in general revenues.

TITLE III ENFORCEMENT

Question: The Budget Justification suggests that EPA expects about 300,000 Title III emissions inventory reports in 1988. Title III increases the number of covered facilities and reports in 1989.

But your Toxics budget holds Title III enforcement manpower constant at 11 FTEs. How can so few staff assure that hundreds of thousands of emissions reporting forms have been filled out correctly? Can so few enforce a national program of this magnitude?

Answer: While the federal FTE level requested in the 1989 budget remains at 11 FTEs, there is an additional request for $1.1 million in extramural funding for Title III inspections, through a grant with the American Association of Retired Persons (AARP). In addition, EPA will integrate certain other inspections routinely conducted under sections 5 and 8 of the Toxic Substances Control Act (TSCA) with Title III inspections, since many of the same facilities will be subject to both types of inspections. EPA believes that the additional resources realized through contract inspectors and integrated TSCA-Title III inspections will provide an adequate Title III enforcement program in 1989.

TITLE III EMISSIONS INVENTORY

Question: When will the information from the section 313 reports be publicly available?

Answer: The Agency expects the Section 313 computerized data base to be ready for public access by Spring of 1989.

Question: How will public availability be achieved?

Answer: Public availability of the data base will be achieved primarily by accessing the computerized public database. The agency will also make available reports summarizing the data. We are presently investigating options available to the Agency for making the data available to the public.

Question: What type of publicly available data base will be used?

Answer: EPA has tentatively selected the National Library of Medicine (NLM) as the primary means of data base access.

Question: What, if any costs, will be associated with accessing this data base?

Answer: The cost to the public of accessing the public data base will depend on the data base access option chosen by the Agency. For example, if the Agency goes with NLM, the cost could be as low as $18 per connecting hour. NLM currently charges users of their data bases $18 to $25 per connecting hour, this being their standard fee range.

Question: What arrangement will be made for those who cannot afford to pay costs, if any, of accessing the section 313 data base?

Answer: EPA is currently developing a fee waiver and fee reduction policy with respect to public online access to the data.

Question: How many section 313 reports are expected in FY 89? Please indicate your basis for this response.

Answer: The Agency estimates that the maximum number of facilities subject to the reporting requirements is 31,800. Overall a maximum of 300,000 reports will be submitted to the Agency as a result of reporting by these covered facilities. The method used to develop this estimate of the number of forms and facilities is based on a survey of industrial facilities.

TITLE III EMISSIONS INVENTORY

Question: Is any Title III funding being used currently to study the anticipated reaction of citizens to section 313 emissions information? If so provide the amount used for this purpose since enactment of Title III, with a breakdown by fiscal year, and explain why EPA deems this to be an appropriate use of Title III funds.

Answer: The Office of Toxic Substances has reprogrammed some FY 1988 funds to prepare for the anticipated reaction of citizens to Section 313 information. Approximately $450,000 has been committed to three projects:

- establishment of a pilot community study to test whether certain EPA analytic tools help citizens and local officials interpret the data in ways they find useful ($200,000);
- convening of 15 focus groups to assess the level of knowledge about toxic substances, exposure, assessment of risk in order to develop useful EPA information material ($180,000);
- convening of a group of environmental, industry and government representatives to discuss selected aspects of the Section 313 program ($70,000).

EPA believes it is necessary to conduct these activities because of its obligation to help people interpret responsibly the information reported under Section 313. These activities will help the Agency refine existing information and analytic tools which will help the public use the Section 313 data.

TITLE III FUNDING

Question: How much was requested by EPA in FY 89 for Title III prior to OMB review? Describe the request by activity, indicating the EPA request and the OMB approved amount. Indicate what activities could have been accomplished, which will not be accomplished due to the OMB reductions.

Answer: The FY 1989 OMB Submission and the Congressional budget request for Title III are described by activity below:

OSWER

The FY 1989 OMB Submission included 34.0 FTE and $5,027,700 total dollars for community right-to-know, emergency planning and related OSWER activities. The FY 1989 Congressional budget request includes 28.0 FTE and $4,416,700 total dollars. As a result, emergency response plan development, training, technical assistance, and enforcement actions will have limited growth.

OPTS

The FY 1989 OMB Submission included 56.5 FTE and $12,662,900 total dollars for emissions inventory forms processing and data quality control, modeling tools and pilot State programs, and technical support to OSWER. The OMB submission also included 19.0 FTE and $3,824,800 for OPTS Title III enforcement. The FY 1989 Congressional budget request includes 37.4 FTE and $9,996,900 total dollars for emissions inventory work, and 11.0 FTE and $2,042,300 total dollars for enforcement. This represents an increase of 2.9 FTE and $3,318,800 total dollars over 1988 which will provide computer support and a grant for inspections of facilities and enable the processing of data reporting forms.

These resource levels have an impact in two areas: (1) forms processing and quality control, and (2) the ability to educate and inform the public about the toxic release data and how to use it.

The lower level will reduce EPA's ability to conduct detailed audits of the current projected number of report forms (300,000). In addition, EPA will need to delay development of modeling tools for State and local governments, and will not provide pilot cooperative agreements that would help these entities answer citizens' questions about the implications of the data.

EPA will be concentrating on forms processing. To the extent the reporting levels projected are not reached, resources will be used to enhance quality control of the data.

OARM

The FY 1989 OMB Submission included 3.0 FTE and $500,000 in extramural dollars for Administrative Management, and $1,149,000 in intramural dollars for ADP Support. The FY 1989 Congressional budget request includes 2.7 FTE and $500,000 in extramural dollars for Administrative Management, and $825,000 in intramural dollars for ADP support.

The resources for Administrative Management provide support for the implementation, operation and enhancement of information systems supporting emergency planning and notification, the Toxic Chemical Release Inventory, and the trade secrets provisions. The slight reduction from the OMB submission will not adversely affect the support effort.

The resources for ADP Support provide central processing unit capacity, telecommunication, disk storage, and operational support. Because the Agency invested 1987 end-of-year resources into mainframe and telecommunications capacity, and disk storage, the reduction from the OMB Submission will not adversely affect program support. The 1989 Congressional budget request maintains support for the ADP Support functions.

ORD

The FY 1989 OMB Submission included 3.0 FTE and $885,000 total dollars for Scientific Assessment (inputting Title III chemical inventory and release data into ORD's Integrated Risk Information System (IRIS), Monitoring (providing validated sampling and analytical methods to support environmental exposure monitoring investigations of chemical releases), and Health Effects (modeling methods).

Although the 1989 budget request for ORD does not outline resources specifically for Title III, a number of related activities are being accomplished within the base program.

OPPE

The FY 1989 OMB Submission included a request for 3.3 FTE to provide assistance to program offices on information collection requests and on implementing and evaluating strategies for making information available at the State and local levels, to assist State and local emergency planning commissions in managing the information they collect, and for the statistical design of surveys.

The FY 1989 President's Budget will focus OPPE resources on the processing of information collection requests.

OGC

The total FY 1989 OMB Submission for the Office of General Council was 131.7 FTE, an increase of 6.2 FTE over 1988. Just a fraction of this increase was for increased Freedom of Information Act (FOIA) requests and resultant FOIA appeals related to Title III trade secret activities. The 1989 budget request for OGC is for 125.5 FTE, the same as the 1988 Operating Plan. The level funding is not expected to adversely impact Title III work unless FOIA activity increases dramatically.

TITLE III IMPLEMENTATION COSTS

Question: What does EPA estimate to be the 1989 dollar funding needs for state and local implementation of the Title III program?

Answer: EPA estimates the total state and local implementation costs for Title III in 1989 to be approximately $57,000,000. This estimate is derived from four Regulatory Impact Analyses (RIAs) that were developed in support of Title III rulemakings. It includes costs for state emergency response commissions, local emergency planning committees and fire departments. This estimate reflects a consolidation of the cost categories shared across each of the RIAs and consequently represents total program cost estimates that are both lower and more accurate than those cited in the individual RIAs. The Agency plans to finalize its study of the costs contained in the RIAs in the near future.

It should be noted that this estimate is based on timely completion of planned 1988 activities. A significant portion of the 1988 estimated costs of approximately $128,500,000 for state and local implementation of Title III could be deferred until 1989, should significant delays occur.

TITLE III ENFORCEMENT RESOURCES

Question: What are the '89 enforcement resources for all of Title III in the aggregate and broken down for each provision of Title III and for each EPA office? How does this compare to FY 87 and FY 88?

Answer: The 1989 budget request includes a total of $2,424,300 supported by 15 total workyears for Title III enforcement. In addition, the Agency plans to coordinate enforcement of Title III Section 304 with CERCLA Section 103(a), since the reporting of chemical releases under these Sections is complementary. Following is a breakdown by EPA office, Title III provision and fiscal year.

(Dollars in Thousands)

	FY-87		FY-88		FY-89	
EPA Office	FTE	TOT$	FTE	TOT$	FTE	TOT$
OTS (§313)	-	-	11	$524.0	11	$2,042.3
OSWER (§§302,303, 304,311,312)	-	-	-	-	4	382.0
TOTAL	-	-	11	$524.0	15	$2,424.3

COMPLIANCE RATE FOR TITLE III

Question: What is the estimated compliance rate for each of the provisions of Title III? State the basis for the estimate in your answer. Include in this response information on state compliance, including but not limited to any states that have failed to establish state emergency response commissions and states where local emergency planning committees have either not been formed or fully staffed.

Answer: The compliance rates noted here represent results from an Agency survey conducted in the Regions during January 1988. These results are preliminary estimates and do not represent actual systematic monitoring. The descriptions for each Section note only those activities entailing quantifiable compliance.

Section 301 - Establishment of State Emergency Response Commissions (SERC) and Local Emergency Planning Committees (LEPC): All 50 States, Puerto Rico (PR), the Virgin Islands (VI) and the District of Columbia (DC) have established their SERC. Out of the 42 States responding to this section, plus PR and VI, 3,555 LEPC are named and 2,162 (61%) are presently functioning.

Section 302 - Facilities using, storing, or producing extremely hazardous substances in excess of the chemical-specific threshold planning quantity must notify the SERC: The Agency has estimated a universe of 100,000 facilities. In 48 States, PR and VI, a total of 37,000 facilities have notified the SERC of their production or use of extremely hazardous substances making an estimated national compliance rate of roughly 40%.

Section 303 - Development of emergency response plans by LEPC; facilities notifying LEPC under Section 302 must name a representative to the LEPC for the planning process: Based on the 26 States with estimates of the number of emergency plans to be completed by October 1988, between 50% and 100% of the plans should be available by the deadline. However, actual quality of such plans is a serious program concern. Most States predicted compliance levels of 80% to 100% for facilities naming representatives to the LEPC.

Section 304 - Facilities with releases of extremely hazardous substances in excess of the reportable quantity must notify the National Response Center (NRC), the SERC and the LEPC: Many

States have reported establishment of release notification centers, and reports have been received by these centers. Individual States have received up to 25 reports. At this stage, EPA cannot gauge the compliance rate these occasional reports indicate.

Section 311 - Submission of Material Safety Data Sheets or lists by facilities with reportable chemicals: The first deadline under Section 311 passed in October 1987 so little compliance data is available. Of those 15 States estimating compliance rates, the figures ranged from 5% to 80%. On average, 30-35% may be a more accurate indication.

Section 312 - Submission of annual inventory report by facilities with reportable chemicals: It is too early to estimate compliance rates on the recently passed March 1, 1988 deadline for manufacturers under Section 312.

Section 313 - Notification to EPA by certain manufacturers with emissions of toxic chemicals: To date, no deadlines have passed. Accordingly, compliance rates cannot be calculated.

Sections 322-323 - Submissions of trade secret claims under emergency planning, community right-to-know, and toxic release reporting provisions: Since submitting a trade secret claim is voluntary, compliance rates are inapplicable.

SUPERFUND TECHNICAL ASSISTANCE GRANTS PROGRAM

Question: How many FTEs and dollars are assumed in the '89 request for the Superfund Technical Assistance Grants program? What is the breakdown by resources for Headquarters and the Regions? How does this compare to FY 88? How many grant applications are expected in FY 88 and FY 89? How much did EPA request for the Technical Assistance Grants program prior to OMB review?

Answer: The following chart shows the amount of FTE, dollars, and applications assumed in the FY 1989 Request to Congress compared to the FY 1988 current estimate. All FTE's are in the Regions.

	FTE	$(Ext.) (in thousands)	Number of Applications
FY 1988	6.5	$ 2,980.0	60
FY 1989	12.3	$ 6,650.0	133

The Agency requested 17.3 FTE and $9.2 million for the Technical Assistance Grant program in the FY 1989 request to OMB.

ASBESTOS IN PUBLIC BUILDINGS

Question: In the February 29, 1988 EPA report on asbestos in public buildings, EPA concludes that a regulatory program is not appropriate for non-school buildings at this time. Yet the report notes that as buildings change hands, investors are insisting that asbestos in buildings be removed as a condition of purchase. Further the report notes that such removals may very well be carried out improperly, creating more hazardous conditions.

If removals are a fact of life already, does not EPA have an obligation to take steps to assure that they are done safely and properly?

Answer: The Agency has taken the following steps to assure that abatement work is performed safely:

o All abatement projects performed in public buildings are subject to the Agency's National Emissions Standard for Hazardous Air Pollutants (NESHAPS) and the Occupational Safety and Health Administration's (OSHA) Construction Standard. These standards require safe work practices to be utilized that are designed to limit fiber release and human exposure. In addition, the OSHA standard has worker and competent person training requirements;

o The Agency has worked closely with the States to establish certification and training programs so that persons supervising and performing abatement work can learn and implement the safest work practices. To date, 39 States have received grants totalling $2.6 million from EPA to help them establish contractor and abatement worker certification programs;

o EPA has also approved over 150 separate training courses for asbestos inspectors, management planners, contractors and abatement workers where more than 5000 persons have been accredited as inspectors and 4800 as management planners, 12,800 as abatement contractors and 26,000 as abatement workers. These persons are available for use in public building abatement programs at this time and should contribute greatly to the safety of efforts in this area;

o We have issued guidance documents which describe state-of-the-art techniques for performing abatement projects and minimizing the possibility for fiber release.

ASBESTOS IN PUBLIC BUILDINGS

Question: And if removal is not always the best response to asbestos, what will you be doing to help building buyers and sellers choose the best and safest response?

Answer: Since 1979, EPA has had a technical assistance capability in each of its regional offices to provide information to ensure informed decisionmaking about asbestos problems. We are considering initiating the following activities to enhance the Agency's existing technical assistance program:

- o Encourage all States to require the use of trained and accredited professionals to help determine the proper response to the presence of asbestos.
- o Expand guidance on proper techniques to maintain asbestos which is in good condition and avoid accidental damages through the use of operations and maintenance programs.
- o Focus attention on thermal system insulation materials as they are more predominant in public buildings.

ASBESTOS REPORT RECOMMENDATIONS

Question: EPA's February 29, 1988 report does make four recommendations to increase the number of trained inspectors and abatement professionals, to focus attention on the asbestos in the worst condition, to improve enforcement of regulations, and to assess the effectiveness of the AHERA schools rule.

What resources do you need to carry out these recommendations?

Answer: The list below shows the resources that would be needed to carry out the following recommendations:

1) To increase the number of trained inspectors and abatement professionals: $2 million a year for three years for a total of $6 million.

2) To focus attention on the asbestos in the worst condition (to develop and provide proper guidance for dealing with thermal system insulation): $600,000 for three years for a total of $1.8 million.

3) To improve integration of activities to reduce imminent hazards and to improve the enforcement of regulations: $4 million for three years for a total of $12 million.

4) To objectively assess the effectiveness of the AHERA school rules and other current activities on a priority basis. Some of these studies could cost many millions of dollars to conduct on a scientifically sound basis, yet their impact on future abatement projects could be profound. A cooperative effort between industry and the government for these studies should be explored with principal funding by the private sector.

Question: Have you included those resources in the 1989 budget request?

Answer: The 1989 budget includes an appropriate level of resources to begin addressing the problem of asbestos in public buildings. In the Office of Pesticides and Toxic Substances (OPTS), $500,000 has been included to enhance the Agency's existing asbestos technical assistance program. The Agency currently has $2.4 million in its National Emission Standards for Hazardous Air Pollutants (NESHAPS) program for asbestos. Since the NESHAPS standards govern the renovation and demolition of all buildings, potentially a portion of these resources will be used to augment the control of asbestos in public buildings. OAR will also initiate a contractor certification program in 1989.

ASBESTOS REPORT RECOMMENDATIONS

Question: Do you need additional legislation to implement these recommendations or do you already have the authority?

Answer: EPA already has the authority under AHERA to implement the recommendations. We do not believe that additional legislation is needed at this time.

Question: What will be the consequences for schools in states that are slow in getting geared up?

Answer: Schools may encounter three problems if their State is slow in meeting AHERA's requirements. First, schools may have a more difficult time locating accredited personnel in States without an accreditation program. A State-run accreditation program will have a complete list of accredited persons located near the school. If a State does not set up an accreditation program within the time frames established by AHERA, schools must rely on persons accredited through EPA-approved courses. Some schools may find it difficult to locate accredited personnel within close proximity.

Second, a State accreditation program will provide more oversight of State licensed personnel doing work in schools. Under the EPA Model Accreditation Plan, all States must include decertification requirements in their programs. An accredited person could lose his State license if work was not performed adequately. As a result, schools could expect a State licensed person to be more conscientious.

Third, schools will not have their management plans adequately reviewed in States that do not provide sufficient staff to review plans. As a result schools in some States may not get the benefit of the State's expertise during the review process.

AHERA REGULATIONS

Question: The AHERA regulations have been published and now the burden is on the schools to meet their requirements.

How many states have taken the necessary steps to provide training and certification for contractors?

Answer: To date, five states have met the accreditation requirement for contractors: New Jersey, Alaska, Arkansas, Kansas, and Washington. Six states have met the accreditation requirement for abatement workers: New Jersey, Alaska, Arkansas, Washington, Illinois, and Michgan.

All State programs nationwide that do not fully meet the Model Plan's requirements must be upgraded within the time period specified in AHERA to be at least as stringent as the Model Plan. A number of states that have programs that fall short of the Model Plan's requirements are taking steps to upgrade their programs.

INSURANCE FOR ASBESTOS PROJECTS

Question: AHERA called for a study of insurance for asbestos projects. When can we expect to see that?

Answer: The Agency had planned to submit the interim report to Congress in April of 1988, but the report has been delayed until late Spring. The final report is due in October of 1990.

Questions: Can you give us some idea of what EPA has found out about insurance?

Answer: In general, we believe liability insurance for abatement contractors is becoming more available. Since the report is not complete yet, the Agency has not formed final conclusions.

HAZARDOUS WASTE REDUCTION

Question: A number of reports, including ones from the Office of Technology Assessment and your own Science Advisory Board, have concluded that EPA should significantly expand its program to assist industry to reduce the generation of hazardous waste. According to OTA, EPA requested only $398 thousand for waste reduction in FY88. In recognition of these recommendations, the Congress last year added $4.5 million to EPA's waste reduction effort. How are you spending the additional funds Congress provided for this program in FY88?

Answer: The majority of the money (approximately $3 million) is being put toward direct State program incentive grants. With $1 million, EPA will: 1) establish a national technical clearinghouse network (EPA has begun work with several States in developing a pilot computer retrieval system), and 2) collect and analyze technical data that will help focus our clearinghouse on particular industries, States, and Regions. The remaining $500 thousand will pay for the six workyears to support these activities.

Question: What is your budget request for this program in FY89?

Answer: Hazardous waste minimization resources for FY89 include 7.2 workyears and $1.9 million. These resources are specifically for hazardous waste minimization, research, and implementation programs; other Agency resources will indirectly support waste reduction practices.

Question: Why are you proposing to cut the program?

Answer: Prior to Congress' add-on of $4.5 million for 1988, EPA's 1989 waste minimization request was greater than its 1988 request ($1.9 million in 1989 versus an original request of $950 thousand for 1988. The 7.2 workyear level is the same for both years.) Furthermore, in the past several months EPA has targeted resources to further enhance the Agency's efforts in this area. For example, in 1987 EPA targeted its $3 million RCRA integrated training initiative to waste minimization projects.

Question: Does it make sense to put so relatively little funding into a program which has such a potentially enormous payback?

Answer: The Agency agrees that effectively minimizing the amounts and/or the hazardousness of wastes generated can greatly reduce both the total cost of managing wastes and the potential harmful environmental effects of waste disposal. The Agency believes that its current and proposed programs will promote good waste minimization practices. EPA's waste reduction program focuses on outreach and communication activities to make generators aware of the economic advantages to be realized by effectively minimizing waste, and by promoting private development of waste reduction technologies. Several offices in EPA have identified staff to begin working on a multi-media approach to identify regulatory and outreach initiatives.

SCIENCE ADVISORY REPORT ON HAZARDOUS WASTE REDUCTION

Question: The EPA Science Advisory Board issued a report on October 9, 1987 recommending that EPA give hazardous waste reduction "substantial visibility and commitment at the highest levels of the Agency." How is EPA responding to the recommendations in this report?

Answer: The Agency is implementing the report's recommendations. The Administrator will issue a directive to all top-level managers requiring the development of an Agency-wide, multimedia waste minimization program. Executive Council on Waste Minimization that will ensure coordination and monitor consistency among Agency programs and review multi-media issues. In addition, the Agency has solicited discussion and input on its plans to develop an Agency-wide program in a large number of conferences and meetings with high-level industry, State and environmental organizations. EPA has met with major industry trade associations and international government and technical institutions to enhance our program's visibility. The Agency has also published a public information booklet on waste minimization that has received widespread acclaim.

Question: How is your budget proposal consistent with the recommendations in the report?

Answer: The Agency's budget proposal moves forward on each of the report's recommendations. For example, EPA:

- has prepared a directive from the Administrator that will focus the attention of all top managers on the multi-media initiative. The directive lays out a clear need for a multimedia strategy.

- has begun an intensive outreach effort. Our waste minimization staff has met with 35 States and representatives from at least 30 major waste generators in the past several months.

- will soon publish its multi-media policy and EPA strategy in the Federal Register.

- is gathering information on existing technology for inclusion in a national technical clearinghouse.

Question: What is your position on S.1429?

Answer: The Agency has reviewed S.1429 and feels the purposes of the bill are parallel, and in some respects identical, to the Agency's current program strategy. We are currently analyzing the specific provisions of the bill.

OCEAN DUMPING REGULATION

Question: Your budget document (p. WQ-4) says that EPA expects ocean dumping applications to increase because of the land-ban regulations under RCRA and your revised ocean dumping regulations. Are you suggesting that hazardous wastes which are not safe to be dumped on land should now be dumped in the ocean?

Answer: No, we are saying that we must anticipate the potential outcomes that may result from these regulations. Specifically, we think it is likely that if a generator finds that a currently used disposal option is no longer feasible or could be eliminated by law, the generator is likely to seek alternative disposal options. In the case of hazardous waste, we expect generators to evaluate the feasibility of ocean disposal. The Agency is considering the implications and significance of this and is taking steps to better quantify and analyze the potential impacts on the ocean dumping program.

Question: Hasn't EPA had a policy of phasing out ocean dumping of industrial waste?

Answer: EPA's policy has been to minimize the levels of waste generated so that the need for waste disposal is reduced. Since enactment of the Ocean Dumping Act in 1972, there has been a substantial decline in both the number of dumpers and the amount of industrial waste material being dumped. In 1973, there were approximately 6 million wet tons of industrial waste ocean dumped; this amount declined to approximately 0.3 million wet tons per year in 1986.

Question: What will your policy be for addressing this increase in applications?

Answer: When evaluating any permit applications for ocean dumping, EPA will ensure that an applicant has evaluated all practicable land-based alternatives and that ocean dumping is the only feasible alternative.

Question: Why are you adopting regulations which will lead to an increase in applications for ocean dumping permits?

Answer: EPA is in the process of developing proposed revisions to the existing ocean dumping regulations which will address a number of issues. The revisions may or may not lead to an increase in applications for ocean dumping. We are speculating that the increased restrictions on land-based disposal options may prompt generators to evaluate the feasibility of ocean disposal. The existing regulations were issued in 1977 and have been the focus of several legal challenges.

The first case to which the revised regulation must respond is the City of New York v. EPA. The court found that, under the Marine Protection, Research, and Sanctuaries Act, EPA generally cannot prohibit ocean dumping solely because materials fail the marine impact criteria, and that EPA must take into consideration the need for such dumping and the availability and impacts of land-based alternatives. A second case, National Wildlife Federation v. Costle, involving dredged material, found that while the MPRSA does not require that the regulations for dredged and nondredged material be the same, a statement of the basis and purpose for the differing treatment of dredged material must accompany proposed regulations. In addition, since issuance of the existing regulations, several changes have been made to the statute. All of these issues will be addressed in the revisions.

NEW YORK BIGHT APEX

Question: The New York Bight Apex is recognized as one of the most polluted areas in the world. Because of the importance of the New York Bight for coastal and marine recreation, the important marine resources found in this area and the extent and variety of sources of pollution affecting the Bight, the Congress enacted legislation to require EPA to establish a New York Bight Restoration Plan. Congress appropriated $500,000 to initiate this effort in FY 1988 and authorized the program at $3 million a year for three years. Why are you proposing to reduce the budget to develop the Restoration Plan at a time when you should be increasing this effort?

Answer: In FY 1988, Congress earmarked in report language $500,000 to initiate the New York Bight effort. Given the timing of the funding availability (January 1988), this effort is just now getting underway. Consequently, we will not use all of the $500,000 in 1988 and, therefore, some of the $500,000 will be available for 1989 activities. In the FY 1989 budget, EPA requested an additional $300,000 for the Bight, for a total of $800,000 over the 18 month period. We believe that this level of funding will be adequate to move forward with development of the Restoration Plan.

Question: How are you going to meet the deadlines established in this legislation with a reduced budget?

Answer: As required by the legislation, EPA will submit to the Gongress by June 29, 1988 a detailed schedule (including associated funding requirements) for completing preliminary reports and the Restoration Plan. This schedule will outline EPA's strategy for completing the Plan.

Question: The bill requires EPA to submit a report to the Congress by the end of June detailing a schedule for completing the preliminary reports and restoration plan and to hold a public hearing by the end of August 1988 on the plan. Will EPA meet these requirements?

Answer: EPA expects to meet the requirements of the legislation by the specified deadline.

DREDGED MATERIAL DUMP SITE

Question: The Water Resources Development Act requires EPA to designate a new dredged material dump site 20 miles or more from the coast by December 1989. Will EPA be able to designate the new dump site by the statutory deadline?

Answer: No, we can not meet the legislated deadlines.

Question: If not, when will the designation be completed?

Answer: The following schedule has been developed to accomplish the site designation work:

° 13 months	Information Gathering/Site Studies (start preliminary Environmental Impact Statement (EIS)
° 10 months	Complete Preliminary and Draft EIS Proposed Rule for Site Designation
° 13 months	Complete Final EIS/Final Rule
36 months	

With work on the designation beginning in March 1988, EPA anticipates completing the site surveys, a preliminary EIS, a draft EIS, and a proposed rule to designate the Mud Dump Site by February 1990.

The Final EIS and site designation could occur within another thirteen months, or by late spring of 1991. However, since the New York Bight area is of high environmental concern and public visibility, the completion date of final designation of the site depends on a number of factors including the Corps of Engineers involvement, the information collected from the site surveys, and the comments received from various sources. Given these unknowns, additional delays are possible.

Question: How much will you spend in FY 1989 on this designation?

Answer: EPA has budgeted $400,000 in FY 1989 for the designation work by Region II. EPA has also programmed $400,000 for this work in FY 1988.

PLASTICS IN MARINE AND COASTAL ENVIRONMENTS

Question: The Marine Plastic Pollution Research and Control Act of 1987 requires EPA to conduct a study to find ways to eliminate plastics in the marine and coastal environments and requires EPA and NOAA to conduct a public education program. How much did or will you spend on these efforts in FY 1988?

Answer: EPA has obligated $40,000 toward the study of marine plastic pollution in the New York area. In FY 1988, an additional $350,000 is being allocated to conduct the marine-related portions of the EPA studies required under the Plastic Pollution Research and Control Act (PPRCA) of 1987 -- the New York Bight plastic study and those portions of the EPA plastic study related to the marine environment. In addition, other EPA offices, such as the Office of Solid Waste and Emergency Response (OSWER) and the Office of Policy and Program Evaluation (OPPE), will be conducting portions of the larger EPA plastic pollution study required under PPRCA.

Question: What is your proposed budget for FY 1989?

Answer: The proposed budget for FY 1989 is $100,000.

Question: Why are you cutting this program?

Answer: Since the New York Bight plastic study is due in FY 1988 and the larger EPA plastic pollution study is due in June 1989, most of our activities will be funded and completed in FY 1988.

Question: The Act requires EPA to conduct a study of plastics in the New York Bight by the end of June 1988. Will you complete this report by the deadline?

Answer: EPA's Region II in New York is conducting this study and plans to meet the June 1988 deadline.

DREDGED MATERIAL DUMP SITE

Question: Wouldn't additional resources help you comply with this statutory requirement?

Answer: Based on EPA's site designation experience, additional resources would not enable EPA to compress the technical and scientific studies and analysis necessary to identify, evaluate, and designate an environmentally suitable alternative dump site.

SLUDGE MANAGEMENT REGULATIONS

Question: Under the Clean Water Act Amendments of 1987, EPA was required to promulgate sludge management regulations by August 31, 1987. Why has EPA failed to meet this deadline?

Answer: In developing technical sludge regulations, the process has been slowed due to the complexity of analysis required, the enormous amount of data to be considered, and the multi-media nature of this rule which cuts across several Agency programs that have regulated some aspect of sludge use/disposal in the past.

Another factor that has slowed the process is a court ruling on the vinyl chloride regulation. On July 28, 1987, the United States Court of Appeals for the District of Columbia Circuit ruled that in establishing emission standards for hazardous air pollutants under Section 112 of the Clean Air Act, EPA must make an initial determination of what is safe without regard to costs. Costs can only be considered in assessing the extent to which the rule requires a margin of safety beyond what is required to protect public health. In addition to this case, a similar ruling was made with respect to Nuclear Regulatory Commission regulations involving protection of public health by assessment of risks. The EPA is currently examining the implications of these court cases for the sludge regulatory program.

Question: When do you expect to promulgate these regulations?

Answer: EPA anticipates the rule will be proposed for public comment by October 1988 and promulgated by December 1989.

NONPOINT POLLUTION

Question: Coastal States are concluding that nonpoint source pollution is a particular problem in coastal areas. How much will EPA spend on nonpoint source pollution in FY 1989, broken down by the amount from construction grants set-asides and amounts, if any, requested from additional sources? Please provide such information for FY 1987 and FY 1988. How much did EPA request for nonpoint prior to OMB review of EPA's FY 1989 request?

Answer: The following chart summarizes the amounts EPA has spent and expects to spend on grants to assist States to control nonpoint source pollution during FY 1987, 1988 and 1989 (in millions of dollars):

	FY 1987	FY 1988	FY 1989
§205(j)(1)	1.6	1.6	1.6
§205(j)(5)	12.5	23.0	13.3
§319(h&i)	N/A	0.0	0.0
§106	4.2	4.2	4.2
Total	$ 18.3	$ 28.8	$ 19.1

In addition to these sources, States may fund implementation of approved State NPS Management Programs under the Section 201(g)(1) 20% discretionary set-aside of their construction grant allotment and through their State Revolving Funds. Because both these sources can be used only for approved NPS Management Programs, they will in most cases not come into play until mid-FY 1989. At this time, EPA expects some States to employ these two sources, but the exact scope of such use is not clear.

Given the availability of other funding sources (noted above), no funds for Section 319 grants were requested in the FY 1989 OMB submission.

NONPOINT POLLUTION

Question: What do you expect to accomplish over the next two years on nonpoint source pollution?

Answer: During FY 1988 EPA will continue to provide technical and management guidance and support to the States in developing and submitting approvable NPS Assessment Reports and Management Programs. Beginning in late FY 1988, EPA will review and approve State NPS Assessments and Management Programs. This review and approval process will continue through most of the first two quarters of FY 1989. EPA will then review and approve State workplans for implementation of approved NPS Management Programs [205(j)(5)/205(g)(1)] and provide technical support and technology transfer to the States.

Question: Why isn't EPA funding the nonpoint source grant program authorized under the 1987 Clean Water Act Amendments?

Answer: The Agency believes that there are sufficient sources of funding currently available to address resource needs of the States in developing nonpoint source assessment reports and management programs. Section 205(j)(5) funds are available for planning and development activities related to assessment reports and management programs. The States may also use this source to fund implementation activities once assessments and management programs are approved by EPA. Sections 106 and 205(j)(1) may be used for general program planning activities including development of nonpoint source assessment activities. Sections 604(b) (State Revolving Fund beginning in 1990) and 201(g)(1) (20% Construction grant allotment) may also be used to fund nonpoint source activities.

NATIONAL ESTUARY PROGRAM

Question: What is the status of designating New York Harbor and the Delaware Bay under the National Estuary Program?

Answer: EPA has developed a phased approach to implementing the National Estuary Program. Management conferences have already been convened for six programs: Albemarle-Pamlico Sounds, Buzzards Bay, Narragansett Bay, Long Island Sound, Puget Sound, and San Francisco Bay. Nominations for new estuaries will be evaluated for inclusion in the program when a signed governor's nomination consistent with national guidance is received. Under the Act, a governor's nomination must demonstrate national significance, the need for a management conference, the likelihood of success of a conference, and the need for additional pollution abatement controls. Management conferences may be convened as early as April or May 1988.

EPA is giving priority consideration to convening management conferences to the other six estuaries named in the Act, including the New York-New Jersey Harbor and Delaware Bay. From February through June 1988, EPA is providing technical assistance through conference calls, on-site visits, and workshops in response to requests from the States and EPA Regional staff. These activities are designed to assist the States in understanding the program goals, objectives, and requirements, and in preparing nominations.

For New York-New Jersey Harbor, we have already reviewed a nomination and provided comments to ensure that the nomination is consistent with national guidance. We are working with the States of New York and New Jersey and EPA's Region II in New York, and we will participate in a public workshop scheduled for May 4-5, 1988. We anticipate a decision this Spring on the convening of a management conference.

For Delaware Bay, we have conducted a workshop with the States of Delaware, New Jersey, and Pennsylvania, and EPA Regions II and III to assist them in their preparation of a nomination. We anticipate a decision in early summer on the convening of a management conference for Delaware Bay.

WASTE INCINERATION

Question: Local governments are increasingly relying on incinerators to dispose of sewage sludge and garbage. What is the status of your efforts to regulate air emissions and ash from municipal incinerators?

Answer: In June 1987, the Agency published a report to Congress, entitled "Municipal Waste Combustion Study: Report to Congress (EPA/530-SW-87-02/a-1). Based upon the results of this report, EPA issued a notice in the Federal Register (52 FR 25399) that announces its intent to regulate emissions from new and modified municipal waste combustors (MWC) under section 111(b) of the Clean Air Act, new source performance standards (NSPS). Pollutants to be regulated will include one or more designated pollutants (pollutants not regulated under sections 108-110 or 112) thus invoking section 111(d). Section 111(d) requires States to develop additional emission standards for existing MWC based on EPA emission guidelines. The proposal of the NSPS and the 111(d) guideline document will be published simultaneously as will the subsequent promulgations. The project currently is in the technical information gathering phase. In addition, the Agency has issued "Operational Guidance on Control Technology for New and Modified Combustors (June 26, 1987) to assist States in making permitting decisions.

For sewage sludge management, the Agency is in the process of developing regulations under section 405 of the Clean Water Act for five disposal methods. Part of this rule will address air emissions from sewage sludge incineration. The regulations will be implemented through State permits, and the Agency has proposed and taken comment on regulations for approvable State plans for sludge management.

The Agency is also actively assessing the characteristics of municipal waste combustion ash, its potential environmental and human health impacts, and a number of ash disposal and reuse options; data collection and site analyses are being conducted by both the Office of Solid Waste, the Office of Research and development, and several industry groups. This activity is being conducted through over 20 separate research or data collection projects.

Question: What do you hope to accomplish over the next two years?

Answer: Over the next two years, the Agency plans to propose an NSPS for MWC under section 111(b) of the Clean Air Act and propose emission control guidelines for existing MWC under section 111(d) of the Act. Public comments will be collected and a final rulemaking package will be assembled for Agency review and publication in 1991.

For sewage sludge management, rules will be proposed for distribution and marketing, land application, landfills, incineration, and ocean disposal under section 405 of the Ocean Water Act. Technical support documents will be published for each of these five categories. Public comments will be collected and a final rulemaking package will be assembled for review and publication. In FY 89, technical information development will commence for a second phase of rules on sewage sludge management to consider additional pollutants and processes.

The Agency is also considering issuing ash management standards under RCRA that are tailored to the unique characteristics of the material. We have already made substantial progress on a set of technical guidelines for ash disposal facility management. We will integrate the results of our research and environmental assessments with any new legislation in developing ash management standards.

Question: What are you spending on this program in FY 88 and what do you propose to spend for FY 89?

Answer: The following reflects the Agency's current and requested spending plans:

($000)

	FY 88		FY 89	
	EXT$	FTE	EXT$	FTE
Municipal Waste Combustion (MWC)	1,106	12.6	740	10.0
Sewage Sludge Management	980	10.8	1,600	10.8
MWC Ash Rules	350	1.8	630	2.6
TOTAL	2,436	25.2	2,970	23.4

NON-HAZARDOUS SOLID WASTE

Question: What are you doing to assist the states in managing their non-hazardous solid waste?

Answer: The Agency recognizes that the ultimate responsibility for managing municipal solid waste lies with State and local governments. The Federal Government's role is essentially two-fold: 1) provide basic regulatory criteria, including guidance on implementing those criteria, which States will use as a starting point for their own regulatory programs; and 2) serve as a clearinghouse for information on solid waste management, collecting and disseminating among the States data on good waste management practices. Both efforts should help to establish a sound, comprehensive national direction.

Many States prepare solid waste management plans as a means of identifying strategies for municipal waste management. Revising those plans currently in place and implementation of plans for States without plans will be critical in the period following promulgation of the new criteria for solid waste disposal facilities. These plans should address efforts in recycling and source control, public education and involvement, waste generation projects, facility siting and financing considerations. The Agency will work close with States to ensure quality solid waste management plans.

The Agency has recently established the Municipal Solid Waste Task Force, whose primary goals include defining the appropriate roles of the various levels of government concerning municipal sold waste management and developing a national strategy for municipal solid waste management. Issues that the Task Force will investigate include: how the Federal government can best lead States and localities towards creative, effective solutions to municipal waste disposal problems; and how States can work together, through the regional planning process, to develop regional solutions to disposal problems.

In response to mandates of the Hazardous and Solid Waste Amendments, the Agency has studied the adequacy of current solid waste disposal criteria (40 CFR Part 257), and will soon report to Congress with its recommendations for changes. Also under development are revisions to the criteria for those solid waste disposal facilities that may accept small quantity generator wastes or household hazardous wastes (which include municipal solid waste landfills). EPA is also in the process of developing air emissions standards for municipal solid waste combustors and guidance on disposal of municipal solid waste combustion ash.

Finally, the Agency has underway a number of efforts, described below, on municipal solid waste recycling and source reduction. These activities will set standards that the States can use as guideposts for their own municipal waste programs.

Question: What is EPA doing to encourage source reduction and recycling of non-hazardous solid waste?

Answer: EPA believes that source reduction and recycling will play an important role in addressing the nation's growing municipal waste problem. Implementing practical and efficient source reduction and recycling programs will provide much-needed relief at the disposal end of the waste management process, which is being taxed severely by increasing solid waste generation. The Agency is promoting a national goal of achieving a 25% source reduction and recycling rate in four years.

One direct contribution the Agency is making toward a national goal of increased recycling is the development of Federal procurement guidelines. EPA has set standards requiring Federal offices to purchase paper products containing high percentages of recycled materials. Other procurement guidelines under development would require purchasing re-refined oil and retread tires for government vehicles.

The Agency is taking several other major steps to encourage source reduction and recycling activities. In response to a recent Congressional mandate, the Agency will develop a report to Congress on the effects of plastics on the environment. The recently-established Municipal Solid Waste Task Force is looking closely at current source reduction and recycling activities to identify and address impediments to effective implementation of such programs. The Agency is initiating the collection of information on State and local recycling programs, and will co-sponsor a conference in late-March, 1988, involving representatives of industry, government, and environmental groups to pool knowledge and generate discussion on municipal solid waste recycling and source reduction. In addition, the Agency has conducted several conferences on household hazardous waste, and will continue to work on issues relating to the recycling of used crankcase oil. The Agency will continue to advocate recycling as a major feature of State solid waste plans.

Question: What is EPA proposing to spend on these efforts in FY 89?

Answer: The 1989 Agency request for municipal solid waste programs, including regulation and guidance development, technical assistance to States, and technical assistance to State and local governments for recycling and source reduction programs includes 40 workyears and $7.5 million in Headquarters and the Regions. The Agency is also requesting 10 workyears and $3.7 million for evaluation and criteria revisions for industrial solid waste units. This represents the Agency's commitment to a stronger national municipal solid waste managment program.

CLEAN LAKES PROGRAM

Question: Why didn't you propose to fund the Clean Lakes program? Did EPA request any funding prior to OMB review of EPA's FY 89 budget request? If so, how much did EPA request from OMB?

Answer: It is the Agency's position that lake eutrophication is an intrastate water quality problem and lake restoration and protection is most appropriately handled by the States in conjunction with other water quality priorities. The Agency requested no funds for Clean Lakes in the FY 1989 OMB submission.

RADON IN DAY CARE CENTERS

Question: Day care centers may pose a particular problem for radon exposure. These centers are often located in basements of houses, churches and other structures where radon levels are highest. What are you doing to address the problem of radon in day care centers?

Answer: At this time, the Agency has not specifically addressed the problem of radon in day care centers, since much of the information we are currently developing through our Radon Action Program will apply to this type of housing. For example, the Agency has developed a variety of measurement and mitigation techniques which can be used in day care centers located in homes, and possibly those located in churches and other structures. In addition, the Agency has distributed public information materials to States and local governments which can assist day care centers in understanding and addressing radon problems.

Question: Shouldn't EPA be increasing its efforts to develop protocols for radon testing in day care centers and to disseminate information about radon to these centers?

Answer: We have developed protocols for measuring radon in homes. We are now developing protocols for measuring radon in schools. With the completion of the school protocols, we will be better able to assist States in addressing radon problems in day care centers as well. In particular, we will be able to determine the types of radon measurements needed to best characterize the potential radon levels in these centers. EPA will work with the States/local governments and other appropriate organizations to assure proper and timely dissemination of information to day care center managers.

RADON DIAGNOSIS AND MITIGATION

Question: Under the asbestos program, EPA has established regional training centers to train asbestos contractors. Would regional training centers improve your ability to disseminate information to state and local governments and contractors on radon diagnosis and mitigation?

Answer: EPA has several successful programs designed to disseminate radon information to State and local governments and contractors. Among these activities are the House Evaluation Program, which provides "hands-on" training to State officials in radon diagnosis and mitigation; the Radon Diagnosis and Mitigation Training Course, which provides classroom training to States and a limited number of private contractors; and technical guidance documents, such as "Radon Reduction in New Construction," developed jointly by EPA and the National Association of Home Builders. Some States are now offering training courses for private contractors, as well as coordinating the dissemination of information to the private sector. Regional training centers could help facilitate and expedite the transfer of technology and information to the States, local governments and the private sector. EPA will consider the use of such centers in the future.

Question: Are you doing any analysis of whether the EPA radon action program is really having an effect in encouraging people with high radon levels to take action to reduce the levels?

Answer: The Agency has some efforts currently underway to evaluate the effectiveness of the Radon Action Program in encouraging people with high radon levels to take corrective action. The first of these efforts is a study to assess the extent of private sector mitigation activities and their effectiveness. This study will be completed in early 1989.

In addition, EPA has some studies underway to evaluate the effectiveness of its public information materials in communicating the risks from indoor radon. These studies will provide an indication of the level of public awareness about the radon problem, and provide insights into individual decisionmaking on this issue.

The results of these efforts will be used by EPA and the States to improve our public information activities.

ANNUAL MITIGATION DEMONSTRATION REPORT TO CONGRESS

Question: Section 118 of SARA requires EPA to report to Congress every year by February 1 on the status of its mitigation demonstration program. Where is this year's report and why is it late?

Answer: This year's report is currently undergoing final Agency review. We expect it to be forwarded to Congress in the near future. EPA is committed to providing a report that is comprehensive and useful to Congress. To this end, EPA has had to collect and analyze a vast amount of data and information from both government and private sources, an effort that has resulted in some delay.

AIR TOXICS

Question: The Administration opposes the air toxics legislation contained in S. 1984. How many air toxics has EPA regulated since the Clean Air Act was first passed in 1970?

Answer: To date, emission standards have been promulgated under section 112 of the Clean Air Act for seven hazardous air pollutants (beryllium, asbestos, vinyl chloride, asbestos, mercury, benzene, radionuclides, and arsenic). "Coke oven emissions" has been listed under section 112, and standards are under development. A list of the pollutants and sources regulated under section 112 is contained in the attached Table A.

The Agency's air toxics program is not limited to efforts under section 112 of the Act. Toxic compounds are emitted into the atmosphere from many sources that emit traditional pollutants. For example, metals and polycyclic organic compounds usually are emitted as particulate matter and many organic toxics also are ozone precursors. As such, many sources of air toxics are regulated under State Implementation Plans, New Source Performance Standards, and Title II for motor vehicles. The extent of indirect air toxics control from these programs has not been quantified rigorously, but it is clear that these programs have reduced public health risks from air toxics substantially.

Question: How many additional National Emission Standards for Hazardous Air Pollutants (NESHAPs) will you promulgate under EPA's budget proposal?

Answer: The Agency's proposed air toxics budget would lead to promulgation of regulations for the 10 pollutants for which intents to list were published in 1985 and for additional source categories of pollutants already listed under section 112. A summary of the current regulatory program for stationary sources of air toxics is contained in the attached Table B.

The regulations that result from this program, however, will not all be promulgated under section 112 of the Clean Air Act. In each case, we will choose the most appropriate statutory authority available for effective and efficient regulation.

Question: What effect will the decision on NRDC v. EPA have on your air toxics program?

Answer: We are still in the process of determining how to realign our policies so that they are consistent with the court's opinion. Responding to the case will take considerable time and energy as the opinion affects the entire NESHAP program. Some standards already promulgated will have to be reevaluated, and we will announce publicly the results of our analysis and any proposed changes to the standards. Standards that have been proposed will go through this same type of reevaluation and a supplemental proposal will be published. Standards under development, especially those at the stages of Agency review and decisionmaking, will require substantial reworking to be made consistent with the new policies. Such a major realignment of the program is going to cause significant delay in the publication of some rules, but we are not certain of the full extent at this time.

Our first priority in responding to the decision are the benzene and radionuclide standards. As you may be aware, the Agency requested a voluntary remand of these standards in the aftermath of the vinyl chloride decision. The court-ordered schedule requires us to reevaluate the benzene rules and propose any actions by June 6, 1988, and promulgate by December 2, 1988. For benzene, these actions will cover the benzene equipment leak NESHAP and the three benzene source categories for which proposed standards were withdrawn in 1984 (maleic anhydride plants, ethylbenzene/ styrene plants, and benzene storage tanks). Although not included in the court order, the proposed benzene coke oven by-product plant NESHAP will be considered on the same schedule. For radionuclides, an extended schedule has been negotiated with NRDC. Assuming that the court accepts the new schedule, the court-ordered schedule for radionuclides will require proposed action by February 28, 1989, and promulgation by August 31, 1989. These actions will cover all five promulgated NESHAP for radionuclides (DOE facilities, NRC-licensed facilities, elemental phosphorous plants, underground uranium mines, and uranium mill tailings), and a new NESHAP for radon from phosphogypsum piles. The new NESHAP policy is being formed in the context of resolving these two cases. Following our decisions on these two pollutants, we will then proceed to reevaluate other NESHAP in priority order as our resources allow. I expect that the next highest priority will be the new NESHAP currently under development, including the NESHAP for coke oven emissions that already has been proposed.

Question: How are you going to speed up the pace of this program when you are asking for $3 million less than you had in FY 87?

Answer: Because of the sequence of actions necessary to respond to NRDC v. EPA , it does not appear that the program can be speeded up, at least not in the short run. By FY 1989, most of the technical work for ongoing standards (Table B) will be completed; and that accounts for the decrease in funding requested. Until the Agency understands the full impact of the court's decision, it will be difficult to increase the pace of the regulatory program.

March 14, 1988

TABLE A

Existing Promulgated NESHAPs (40 CFR 61)

Pollutant	Source Categories	Date of Promulgation (F), Revision (R) or Review (Rev.)
Beryllium (4)	40 CFR 61.30 (Subpart C)	1974 (R)
	o Extraction Plants o Ceramic Plants o Foundries, incinerators, and propellant plants which process beryllium ore, beryllium oxide, beryllium alloys or beryllium waste	
	40 CFR 61.40 (Subpart D)	1978 (R)
	o Rocket motor test sites	
Mercury (3)	40 CFR 61.50 (Subpart E)	1984 (REV) 1986 (R)
	o Processors of mercury ore to recover mercury o Production of chlorene gas with chlor-alkai cells o Incineration or dry wastewater treatment plant sludge	
Vinyl (3) chloride	40 CFR 61.60 (Subpart F)	1986 (R)
	o Ethylene dichloride plants o Vinyl chloride plants o Polyvinyl chloride manufacture	
Asbestos (17)	40 CFR 61.142-61.153 (Subpart M)	1988 (R)
	o Asbestos mills o Roadways o Manufacture of cloth, cord, wicks, tubing, tape, twine, rope, thread, yarn, roving, lap, or other textile materials	

Pollutant	Source Categories	Date of Promulgation (F), Revision (R) or Review (Rev.)
Asbestos (Cont.)	o Manufacturer of cement products	
	o Manufacture of fireproofing and insulating materials	
	o Manufacture of friction products	
	o Manufacture of paper, millboard and felt	
	o Manufacture of floor tile	
	o Manufacture of paints, coatings, caulks, adhesives, and sealants	
	o Manufacture of plastics and rubber materials	
	o Manufacture of chlorine	
	o Manufacture of shotgun shell wads	
	o Manufacture of asphalt concrete	
	o Building demolition and renovation	
	o Spraying operations	
	o Fabricating operations	
	° Insulating materials	
Benzene	(1) 40 CFR 61.110 (Subpart J)	1984 (F)
	o Equipment leaks	

Pollutant	Source Categories	Date of Promulgation (F), Revision (R) or Review (Rev.)
Radionuclides	40 CFR 61.100 (Subpart I)	
	• NRC-licensed facilities and facilities owned or operated by any Federal agency other than Department of Energy	1985 (F)
	40 CFR 61.120 (Subpart K)	
	• Elemental phosphorus plants (Subpart K)	1985 (F)
	40 CFR 61.20 (Subpart B)	1985 (F)
	• Underground uranium mines (Radon-222)	
	40 CFR 61.90 (Subpart H)	1985 (F)
	• DOE facilities	
	40 CFR 61.250 (Subpart W)	1986 (F)
	• Licensed uranium mill tailings (Radon-222)	
Inorganic Arsenic (3)	40 CFR 61.160 (Subpart N) • Glass manufacturing	1986 (F)
	40 CFR 61.170 (Subpart O) • Primary copper smelters	1986 (F)
	40 CFR 61.180 (Subpart P)	1986 (F)
	• Arsenic trioxide and metallic arsenic production	
Coke Oven Emissions	[Listed under section 112 but no standards promulgated at this time]	

Total pollutant/source categories regulated: 36

March 14, 1988

TABLE B

AIR TOXICS REGULATIONS CURRENTLY BEING CONSIDERED UNDER SECTION 112 OF THE CLEAN AIR ACT OR OTHER AUTHORITIES

Pollutant/Source Category

Chromium - Comfort Cooling Towers[1]

Chromium - Industrial Cooling Towers

Chromium - Electroplating

Hazardous Organic NESHAP (covers all eight organic compounds for which notices of intent to list have been published and 13 source categories listed below)

- Butadiene Production
- Miscellaneous Butadiene Sources
- CFC Production
- Ethylene Oxide Production
- Ethylene Dichloride Production
- Chlorinated Hydrocarbon Production
- Styrene Butadiene Rubber Production
- Polybutadiene Production
- Neoprene Production
- Chlorine Production
- Chlorinated HC Use in Chemical Production
- Pesticides Production
- Pharmaceutical Production

Ethylene Oxide - Commercial Sterilizers

Perchloroethylene - Dry Cleaning

Trichloroethylene - Degreasing (Also covers perchloroethylene, methylene chloride)

Coke Oven Emissions - Charging and Topside Leaks

Benzene - Coke Oven By-Product Plants

Benzene - Reconsideration of equipment leak NESHAP and withdrawal of proposals for maleic anhydridge, ethylbenzene/styrene, and storage tanks.

Asbestos Revision - Demolition and Renovation

Woodstove NSPS

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[1] Standards being developed under TSCA, Section 6.

EDISON TEST AND EVALUATION FACILITY

Question: What is the status of the renovation and construction activities funded at the Edison, New Jersey facility by the FY 1988 Continuing Resolution?

Answer: Currently the building and property to be renovated are in use for storage and testing that does not require an RD&D permit. Negotiations are underway to have the property and building transferred from the General Services Administration to EPA.

Question: When will work begin on the facilities to be used jointly by EPA and the consortium of New Jersey Universities?

Answer: The Program of Requirements, which describes functional program and architectural/engineering requirements, was completed on March 18, 1988. EPA will then begin negotiation with the architectural and engineering (A&E) firm for final design. We estimate it will take from 1-3 months to negotiate a signed A&E contract. The planned design period is one year, and the planned construction period is one-and-a-half years. Testing with hazardous and toxic substances in the renovated area could begin in 1989 when all needed permits are received. Full occupancy of the facility is projected for late 1990.

Compliance with numerous Federal, State (New Jersey), and municipal regulations will be required. We are applying for all necessary Federal, State and local permits.

FUNDING FOR RADON ACTIVITIES

Question: The Radon Gas and Indoor Air Quality Research Act of 1986 establishes EPA as the lead agency for our efforts to address the health effects caused by radon pollution. Yet the DOE radon budget request is $14 million, over a million dollars more than the EPA request. What was EPA's request to OMB for radon and how much did you receive?

Answer: In the FY 1989 budget submitted to OMB, the EPA requested 71 workyears and $10.5 million* for programs addressing radon pollution. The President's budget request to Congress contains 70 workyears and $12.8 million* to support EPA's radon programs, an increase of $2.3 million* over the Agency's request to OMB.

Question: What activities would you have funded had you received these additional funds?

Answer: The additional funds allocated by OMB will support the national survey of radon in residences, and provide for pretesting of the survey to assess radon levels in schools. The additional funds will also be used to develop a school diagnostic and evaluation program and to begin work on mitigation techniques for schools.

Question: Why does the Administration continue to favor funding DOE's radon efforts over those of EPA?

Answer: The Administration supports a balanced program of radon research and operational activities which involves both EPA and DOE efforts. A Memorandum of Understanding has been executed between DOE and EPA which outlines the two agencies' roles in radon. The increased level of funding requested in the EPA budget for FY 1989 adds support to surveys which are required by the Superfund Amendments and Reauthorization Act of 1986.

* Total Dollars

PAST SUPERFUND DEADLINES

Question: Which deadlines mandated by the Superfund Amendments of 1986 have not been met by EPA or other applicable agencies since enactment of the 1986 amendments?

Answer: The following SARA mandated deadlines were not met:

1) **The Annual Superfund Report authorized under CERCLA §301(h)(1) and due to Congress on January 1, 1988, is expected to be completed by June, 1988.**

2) **The CERCLA §126(c) report on the extent of hazardous waste sites on Indian Lands, required to be submitted with the FY 1988 President's Budget, was signed and submitted on November 6, 1987.**

FUTURE SUPERFUND DEADLINES

Question: Which, if any deadlines mandated by the Superfund Amendments of 1986 are expected not to be met by either EPA or other involved agencies in FY 88 and FY 89?

Answer: We anticipate that the following deadlines will not be met:

1) CERCLA §105(c)(1) requires that EPA revise its current Hazard Ranking System (HRS). The deadline to complete this revision is April 17, 1988. We anticipate that the new system will be proposed by July, 1988 and final by January, 1989.

2) Revision to the National Contingency Plan (NCP) is required under CERCLA §105(b) on or before April 17, 1988. The revised NCP is expected to be final by May, 1989.

3) CERCLA §102(a) requires that EPA promulgate final regulations establishing reportable quantities (RQs), not later than April 30, 1988, for those hazardous substances that have not had RQs published in the CFR on or before March 1, 1986. Final regulations establishing reportable quantities for these substances are expected to be complete by August, 1988.

4) CERCLA §120(d) requires EPA to "take steps to assure" preliminary assessments are conducted for each facility on the docket by April 17, 1988. EPA has worked with other Federal agencies throughout 1987, culminating in the issuance of final guidance on Section 120 Requirements for Federal Agency Preremedial Activities on September 8, 1987. Training for agencies on the implementation of this guidance was held on September 25. Based on communications with Federal agencies, it is not clear whether all agencies will meet this deadline.

5) Section 120(d) also requires that EPA evaluate docket facilities and include them on the NPL, where appropriate, by April 17, 1988. The Federal Facilities docket was established January 12, 1987. Due to revisions to the Hazard Ranking System which are required by Section 105(c)(1), we do not expect to meet this deadline.

6) Section 120(h)(2) requires that EPA promulgate property transfer notice regulations by April 17, 1988. These regulations were proposed on January 13, 1988; however, we do not expect to promulgate the final regulations until early summer.

SUPERFUND ENFORCEMENT RESOURCES

Question: What are the FY 89 enforcement resources in FTEs and dollars for the Superfund program in the Aggregate, broken down by Headquarters and specific regional allocations, and broken down by EPA office? Provide this information for FY 1987 and FY 1988.

Answer: The following attachment provides the requested resource distribution for the Technical and Legal Enforcement Programs. Regional distribution for FY 1989 will not be complete until the later part of the summer. Dollars are shown in millions.

SUPERFUND ENFORCEMENT RESOURCES

FTE	FY 1987			FY 1988			FY 1989		
HQ-Technical			83.7			41.9			95.4
HQ-Legal			41.0			98.7			41.9
NEIC			34.5			45.5			45.5
Criminal Investgs.			9.1			17.3			17.3
	TECH	LEGAL	TOTAL	TECH	LEGAL	TOTAL	TECH	LEGAL	TOTAL
Region 1	36.6	14.9	51.5	44.2	13.9	58.1			
Region 2	65.5	22.7	88.2	82.7	33.9	116.6			
Region 3	59.2	22.1	81.3	75.6	30.6	106.2			
Region 4	51.6	19.0	70.6	76.2	35.2	111.4			
Region 5	81.5	32.1	113.6	96.9	42.7	139.6			
Region 6	34.8	8.3	43.1	39.9	19.0	58.9			
Region 7	27.5	7.6	35.1	34.9	13.3	48.2			
Region 8	26.3	9.0	35.3	30.2	10.8	41.0			
Region 9	36.4	8.6	45.0	43.3	13.1	56.4			
Region 10	26.6	5.9	32.5	27.6	8.1	35.7			
Region Total	446.0	150.2	596.2	551.5	220.6	772.1	606.0	220.6	826.6
TOTAL			764.5			975.5			1026.7

DOLLARS	1987	1988	1989
HQ-Technical	$11.3	$11.3	$11.3
HQ/NEIC	$4.0	$4.5	$4.5
Regions	$49.7	$56.5	$64.7
TOTAL EXTRAMURAL	$65.0	$72.3	$80.5
TOTAL INTRAMURAL	$35.3	$49.0	$51.0
GRAND TOTAL	$100.3	$121.3	$131.5

SEWAGE CONSTRUCTION

Question: EPA proposed cutting by $900 million below authorized levels the funding for sewage construction. Did EPA assess what impact this will have on State efforts to comply with the Clean Water Act, as amended? If so, what impact is expected?

Answer: The Administration's funding proposal of $12 billion for FY 1986 - 1993 is sufficient to provide the Federal share (estimated at $11.6 billion) of wastewater treatment construction needed to comply with the National Municipal Policy component of the Clean Water Act.

Unmet wastewater treatment needs were identified in the 1986 Needs Survey to total $76 billion. However, less that half that amount ($36.2 billion) is needed for construction that is eligible for grant funding (i.e., secondary treatment, advanced treatment, interceptor sewers, and correction of infiltration/inflow problems). In the absense of leveraged State Revolving Fund programs, we estimate that about $20 billion of these facility needs would receive Federal assistance under the Administration's $12 billion program.

Depending on the amount of State leveraging, the amount of wastewater treatment needs that receive Federal assistance could reach $25 billion. Therefore, with Federal assistance provided for up to $25 billion of facility construction needs, the Administration's program will go a long way toward addressing all the grant eligible facility needs ($36.2 billion).

Question: What specifically does the President mean when he calls in his Budget Message for privatizing sewage treatment? What percentage of the $76 billion in unmet national sewage construction does the President's plan anticipate could be met through privatization?

Answer: Even though many of the tax advantages that previously made privatizing municipal wastewater treatment facilities attractive were repealed by the 1986 Tax Reform Act, we are still trying to encourage privatization wherever possible. EPA is creating a staff to implement the new E.O. 16215 on the "Performance of Commercial Activities and Other Privatization Initiatives." EPA will be encouraging privatization of its environmental programs, including wastewater treatment facilities and other opportunities that may be proposed by the President.

The net results of these efforts are difficult to predict in terms of projecting what percentage of unmet sewage treatment can be met through privatization. In general, we believe that privatization of municipal wastewater treatment facilities will be evaluated and applied on a case-by-case basis where the function can be better performed by the private sector. It appears to us that privatization of operation and maintenance, particularly at smaller treatment plants, offers the greatest promise in the municipal wastewater treatment field.

OFFICE OF COMPLIANCE MONITORING FUNDING

Question: What in dollars and FTEs is the FY 89 request for the Office of Compliance Monitoring, broken down by activity, including but not limited to the PCB program? Provide information on funding levels for OCM in all previous years by activity.

Answer: Funding for both the headquarters Office of Compliance Monitoring and for the corresponding regional program is organized by general functional activity (e.g., case development, compliance inspections) rather than by specific chemicals. Attached is a summary of actual resource utilization for the national TSCA, FIFRA and Title III enforcement programs, as expressed in Congressional requests beginning in 1985, the year in which the Office of Compliance Monitoring was established.

ATTACHMENT

EPA HEADQUARTERS AND REGIONAL FIFRA, TSCA AND TITLE III ENFORCEMENT PROGRAMS

ACTUAL EXPENDITURES 1985-1987, CURRENT ESTIMATE 1988, REQUEST 1989
(Dollars in thousands)

	1985 Actual			1986 Actual			1987 Actual		
	FTE	Intra-mural $	Extra-mural $	FTE	Intra-mural $	Extra-mural $	FTE	Intra-mural $	Extra-mural $
FIFRA Enforcement	107.5	4188.8	9805.8	107.9	4416.0	9515.3	105.1	4500.2	8879.2
TSCA Enforcement	158.4	5748.3	2753.9	169.9	6278.2	4289.5	166.1	6759.8	4074.2
Title III Enforcement									
Total	265.9	9937.1	12559.7	277.8	10694.2	13804.8	271.2	11260.0	12953.4

	1988 Current Estimate			1989 Request		
	FTE	Intra-mural $	Extra-mural $	FTE	Intra-mural $	Extra-mural $
FIFRA Enforcement	104.6	4852.0	8808.4	104.6	5013.3	8808.4
TSCA Enforcement	184.3	7690.3	4215.5	184.3	7988.6	4215.5
Title III Enforcement	11.0	524.0		11.0	542.3	1500.0
Total	299.9	13066.3	13023.9	299.9	13544.2	14523.9

NATURAL GAS PIPELINE TASK FORCE

Question: Responding to the Texas Eastern Gas Pipeline case, EPA established a Natural Gas Pipeline Task Force. What offices are represented on the Task Force? How many staff work on the task force and who are such personnel? For FY 89 what in FTEs and dollars are the resources for this Task Force? What were such resources for prior years?

Answer: When the Texas Eastern matter first arose in the spring of 1987, the need for a temporary, high-level coordination effort among the various EPA headquarters and regional offices became apparent. Accordingly, the Deputy Administrator assembled representatives from the Office of Enforcement and Compliance Monitoring, the Office of Solid Waste and Emergency Response and the Office of Pesticides and Toxic Substances, among others, to form an ad-hoc task force. This group met on an as-needed basis to plan an overall course of action for the Agency, with a focus on how to improve communications among the offices involved. Because the task force was temporary, there were no specific resources earmarked for its activities in our 1988 budget, and no resources are requested for FY 1989.

OFFICE OF PESTICIDES AND TOXIC SUBSTANCES

Question: What specifically accounted for the cuts in the FY 89 request for the Office of Pesticides and Toxic Substances?

Answer: The primary change between the FY 1988 budget for OPTS and the FY 1989 request is that no funding was requested for the Asbestos Loan and Grant program.

Question: Did EPA request any funds for the Asbestos in Schools Loans and Grants program prior to OMB review of the EPA FY 89 request? If so, how much was requested?

Answer: EPA did not include funds for the Asbestos in Schools Loans and Grants program in the FY 1989 OMB request. Previous federal funding has already greatly reduced the problem. These activities should now be the primary responsibility of State and local governments.

Questions Submitted for the Record by Senator Reid

VISIBILITY MONITORING/IMPROVE PROGRAM

Question: How much money does the EPA propose to spend in FY 88 for visibility monitoring, e.g., the IMPROVE program?

Answer: The EPA is funding two visibility monitoring programs. One program, called IMPROVE (Interagency Monitoring of Protected Visual Environments), monitors visibility in certain national parks and wildernesses. EPA is contributing $300,000 in FY 1988 to the IMPROVE program. The other program is called the Eastern Fine Particle Visibility Research Monitoring Network and will measure visibility at five sites east of the 100th meridian. The FY 1988 funding for this network is $288,000.

NOISE POLLUTION

Question: EPA is spending money for research in noise (page SA-8 of the budget document); yet, no budget authority or obligations are reported. What is EPA doing in the area of noise pollution, and what could EPA do to assist communities in evaluating the impact of noise from airports and aircraft? (EPA used to have a noise program many years ago.)

Answer: The Federal Noise Program was phased out in FY 1982. However, there are still outstanding financial obligations from the time when the Agency did have an appropriation for noise. The resources for noise in the Special Analysis Section of the FY 1989 budget submission reflect funds outlayed from these "old" obligations in FY 1987 and estimates for FY 1988 and FY 1989.

The responsiblity for the control of aircraft noise rests with the Federal Aviation Administration. Section 7 of the Noise Control Act of 1972, as amended, places the EPA in a consulting role to the FAA but does not vest in EPA, any authority to control or abate airport or aircraft noise.

ASBESTOS MONITORING FUNDING

Question: Asbestos in schools and public buildings is a critical problem for the nation with potentially large clean-up costs. How much money is being devoted to the development of less expensive, more practical monitoring methods for measuring airborne asbestos in buildings to help evaluate health-risks and clean-up programs? (Continuous, laser-based monitoring methods may be advantageous in contrast to the use of transmission electron microscopy.)

Answer: The FY 1989 EPA budget request includes $75 thousand for asbestos monitoring research specifically focused on the evaluation of less expensive monitoring methods for measuring airborne asbestos. This effort will evaluate monitoring technologies other than electron microscopy, including laser-based monitoring methods.

In addition, the Agency will be spending another $265 thousand in FY 1989 on other asbestos monitoring research for airborne sampling and analysis methods. These funds will be allocated as follows:

$100 thousand for producing quality control material for improving the accuracy of air-sample analysis by Transmission Electron Microscopy and Scanning Electron Microscopy.

$100 thousand for bulk asbestos audits, which will be used to provide a quality assurance gauge on labs that do asbestos testing. This information is compiled into a pamphlet and provided to school boards so that they can select labs to perform their analyses.

$65 thousand for improving the reliability of Polarized Light Microscopy for asbestos fiber analyses.

ENVIRONMENTAL RESEARCH CENTERS

Question: What is your philosophy on the utilization of environmental research centers by the EPA?

Answer: University-based environmental research centers (ERC) can be used to develop long-range, fundamental research agendas that complement EPA's principal focus on short-term research in support of its regulatory mission. These centers can conduct state of the art research in a given area of expertise and sponsor symposiums, seminars and workshops which provide forums for discussion on advanced topics and current developments in their field of expertise. They can also provide an important training and technology transfer function, although these should not be their dominant activity.

Question: Do you support centers with certain charters, or in certain regions of the country?

Answer: We support the concept of research charters for centers, and in fact support a number of ERC's, each of which operates under a specific charter. In each case, the charter is to conduct research, training and technology transfer in a specific area of research chosen by EPA. We do not believe that any center supported by EPA should be granted a warrant to simply conduct environmental research. A strong research focus, via selection of a specific research theme for an ERC is needed to efficiently use the limited resources available to an academic institution to conduct research under EPA support.

It is possible that an ERC's research theme will naturally limit its geographical location. A center whose theme is research on coastal environments would naturally be expected to be located on a coastline. Another example of regional limitation of a center is given by the Hazardous Substance Research Centers (HSRC) program, which is being instituted by EPA in response to Section 311 (d) of Superfund. In order to meet the legislative requirement that five centers be equitably distributed throughout the U.S., the location of each center will be restricted to a separate region-pair, where "region-pair" refers to two adjoining EPA Regions. Region-pairs are chosen which have a similar set of hazardous waste problems.

We do not support the apriori designation of academic institutions to house a proposed ERC, nor do we believe that specific States or municipalities should be so designated. We do support the general notion that a collection of ERCs, operating under a common research theme, should be equitably distributed across the country whenever that is possible.

Question: What role do you see them playing in EPA's research and regulatory programs?

Answer: We believe that the training and technology transfer activities of an ERC would provide the principal connection to EPA's regulatory programs.

We believe that the principal beneficiary of an ERC's research activity is the general community of environmental scientists and engineers, including those who are part of EPA's research programs. While we strongly endorse the interaction of EPA and ERC researchers, we do not believe that an ERC's highest and best use is to solely support EPA's research program.

HIGH LEVEL WASTE REPOSITORY

Question: What role, if any, do you foresee for EPA in the potential siting of the nation's high-level nuclear waste repository in Nevada?

Answer: EPA has no direct role in the potential siting of a high-level nuclear waste repository in Nevada. However, any such repository, regardless of its location in the United States, will have to be sited and operated in conformance with the Agency's environmental standards (40 CFR 191) for the disposal of high-level radioactive wastes. These standards are presently being reconsidered in the Agency because of a September 19, 1987 remand by the U.S. Court of Appeals for the First Circuit. They will be published for public review and comment again before being repromulgated.

DIFFERENTIAL GROUND-WATER PROTECTION

Question: Mr. Thomas in his testimony before the Senate Environment and Public Works Committee on February 23, 1988 appeared to recognize the value of protecting ground water through a "differential" ground-water protection strategy. The President's budget request for FY 89 contained no money for State grants to fund the implementation of this approach at the State and local level. Why was no money requested, and what is the current status of the program?

Answer: Mr. Thomas' testimony refers to the issuance of EPA ground-water classification guidelines which will serve as the basis for a consistent approach to determining ground-water protection and cleanup based on the use, value, and vulnerability of the resource. This differential approach will be incorporated by Agency programs with ground-water elements. The Agency will work with those States which have classification systems to help them determine the equivalence of the State's system to EPA's and their application to Federal programs where appropriate. EPA will also assist interested States in establishing similar/equivalent systems where necessary.

The FY 1989 President's Budget includes a request for administrative funds and workyears to support EPA's continued efforts to institutionalize the classification guidelines within the Agency, promote the policy with States and assist States in the development and application of their own classification systems. There is not a separate grant authorization for establishing classification systems, but States that choose to incorporate a system in their ground-water protection strategies may use CWA section 106 grant funds to develop and implement this approach.

EROSION IN EPA's R&D PROGRAM

Question: The May 23, 1987 issue of Science contained an article entitled: "R&D Eroding at EPA." What is EPA doing to address the concerns articulated in the article?

Answer: The article in Science on "R&D Eroding at EPA" addressed the following two broad concerns:

- redirection of long-term research resources to support immediate regulatory issues and
- intramural budgets that previously had caused problems in funding training costs, unscheduled maintenance, upgrades of aging equipment, scarce supplies, and facility maintenance.

EPA has long recognized these concerns and has endeavored to address them recently in the following ways.

- To address the long-term research concern, the Administrator has developed two approaches. They are:
  - A Long-range Research Strategy Committee was formed (chaired by Al Alm, a former Deputy Administrator of EPA) to identify long-range research issues and strategies for EPA. This group consists of EPA program and research managers as well as scientists and engineers from corporations, universities, and other Federal agencies.
  - A new program is being developed to improve EPA's risk assessment methods and procedures. This new program (RURA) will provide the information and tools to develop more accurate long-range risk assessments.
- To address the intramural budget concern, several recent actions have already been taken and other actions are planned. These actions include:
  - The FY 88 Appropriation Act authorized EPA to use up to $2 million of the R&D Appropriations to begin replacing aging scientific equipment.
  - The FY 88 Appropriation Act also authorized EPA to purchase scientific equipment directly from the R&D Appropriation and provide the items to EPA contractors as government furnished equipment. This measure saves the overhead charged under most contracts that require additional equipment.

- The Office of Research and Development is developing a Capital Equipment Management and Acquistion Program to plan annual intramural purchases of scientific equipment. This system will prioritize purchases of scientific equipment based on research strategies and program needs.

- The FY 89 President's Budget requests enhanced intramural funding for training, supply purchases, equipment upgrade and enhance several of our laboratory facilities as follows:

  -- $12.2M in FY 88 for our Newport, OR lab to construct a new water quality monitoring facility.
  -- $5.6M in FY 88 for our Edison, NJ lab to renovate facilities to test Superfund cleanup technologies.
  -- $1.7M in FY 88 to design a new clinical inhalation research facility at Chapel Hill, NC.
  -- $1.9M in FY 89 requested for our Gulf Breeze, FL lab to construct a new biotechnology testing facility.

Question: What about the statement that EPA is spending a horrendous amount of time on bureaucracy rather than science?

Answer: EPA has spent a good deal of time planning and managing its research and development program primarily because of a large number of competing research needs (e.g., regulatory program research vs emerging environmental problem research). This requires more time in perceived bureacratic decision-making to which the *Science* article alluded.

ORD has made a commitment to streamline operations whenever possible to reduce administrative overhead.

- ORD is considering consolidating research areas that have similar functions. For example, we are planning to consolidate the Hazardous Waste Engineering Laboratory (HWERL) and the Water Engineering Research Laboratory (WERL), both in Cincinnati, into one laboratory. This will significantly reduce overhead and allow more resources to be focused on science in our engineering program.
- A thorough analysis of administrative functions was performed to identify procedures that added "no value" to the process. Procedures were officially changed to eliminate layers of unnecessary review.

Questions Submitted for the Record by Senator Stafford

METHANOL STUDY

Question: On page A-18 of the Budget Justification, there is a reference to a one-year study of methanol in power plants. Would you provide a copy of that study?

Answer: The 1988 Conference Report requested that the Agency provide the New England Governor's Association with $400 thousand to examine the use of methanol as a fuel substitute. Methanol substitution would reduce NO_x, SO_x, and volatile organic compound emissions from power plants. EPA has held three meetings with the New England Governors' Association to discuss this project. Currently, we are waiting for the association to submit a grant package (application) for our review.

As soon as the study is completed, we will provide the Committee with a copy.

BUDGET SUBMISSION TO OMB

Question: Please provide the Committee with at least two copies of the regulatory budget as submitted to the Office of Management and Budget.

Answer: We are providing to the Committee, under separate cover, two copies of EPA's FY 1989 OMB budget submission.

REGIONAL OXIDANT MODEL

Question: On page A-20, the Justification states that the Regional Oxidant Model will be used to determine the impact of a variety of VOC and NO_x abatement strategies. What will be the cost of this and what exact strategies are to be evaluated?

Answer: A three-year program (Regional Ozone Modeling for Northeast Transport-ROMNET) has been initiated by EPA and the northeastern States to support the State Implementation Plan (SIP) development process through evaluation of Regional volatile organic compound/nitrogen oxides (VOC/NO_x) strategies. A table containing the estimated annual costs for this effort is attached.

In total, $1.0 million extramural dollars have been requested for the period FY 1988 through FY 1990. The process of selecting the specific strategies to be examined is in progress by the ROMNET Strategy Committee which includes representatives from EPA and State Agencies. A list of candidate strategies will be compiled by early FY-89.

Estimated ROMNET Resources
(Dollars in thousands)

Program Office	FY-88		FY-89	
	FTE	EXT	FTE	EXT
OAQPS	3.0	$250	3.0	$250
Regions (I, II, III)	2.0	$ 0	2.0	$ 0
ORD	2.5	$250	2.5	$250
Total	7.5	$500	7.5	$500

REGIONAL OXIDANT MODEL

Question: Has the ROM been run to date to evaluate any such strategies? If so, please provide the results.

Answer: The Regional Oxidant Model (ROM) is being applied for several control strategy sensitivity tests and research-related analyses. In one strategy tested to date, nitrogen oxides (NO_x) emissions from coal-fired utility boilers in the Northeast modeling region (Ohio to the East coast) were reduced by 39% on average. The ROM predictions for this scenario indicate (a) essentially no impact on peak 1-hour ozone concentrations along the Northeast Corridor, (b) a decrease of 5 to 10% in ozone in several isolated rural areas in West Virginia and southern Ohio where ozone was low to begin with, and (c) an increase in ozone of 10 to 20% over portions of central Pennsylvania and northeast of Pittsburgh. In the latter area concentrations were predicted to be above the National Ambient Air Quality Standard (NAAQS) even before the imposition of controls.

Additional strategies are being looked at. These include a) reducing NO_x emissions approximately 25% which reflects controls on utility boilers, industrial boilers, and motor vehicles; and b) reducing VOC emissions by 27-70% in nonattainment areas and by 30% in other areas of the Northeast. We have also been using the ROM model to assess the impact of reducing VOC emissions from Treatment, Storage and Disposal Facilities in the Northeast and Southeast.

A major caveat to these strategy sensitivity tests is that none of the scenarios represent realistic conditions and the results may not be representative since only NO_x or only VOC was controlled. Moreover, only two meteorological episodes will be simulated. Combined VOC and NO_x reductions which more closely reflect actual scenarios and applications for additional episodes are planned as part of future studies.

Aside from the above strategy testing, ORD is conducting a research program for the ROM to provide a technically credible background for interpreting model simulation results. This includes, among other components, model evaluation exercises with ambient data bases, sensitivity tests of results to data inputs (including biogenic emissions) and development of seasonal extrapolation methodologies.

EMISSIONS ASSOCIATED WITH VARIOUS METHANOL BLENDS

Question: On page A-21 the Justification indicates that the Agency will characterize the emissions associated with various methanol blends. Please summarize the work that has been done on this subject to date (e.g. what specific substances are emitted from controlled versus uncontrolled methanol or methanol-blend vehicles) and what additional information is being sought with this study. Please express emissions in terms of grams per mile.

Answer: Tailpipe and evaporative emissions from two 1984 catalyst equipped passenger cars have been characterized using a base unleaded gasoline fuel and a blend composed of 90% base unleaded gasoline, 5% methanol, 5% tertiary butyl alcohol. Tailpipe, evaporative, and refueling emissions from a prototype Ford Escort designed for operation with a blended fuel composed of 85% methanol, 15% unleaded gasoline have also been characterized. Individual hydrocarbons (approximately 83 compounds), individual aldehydes (approximately 19 compounds), methanol, carbon monoxide, nitrogen oxides, and carbon dioxide emissions were determined. An additional study examining the impact of blending 5% methanol, 5% tertiary butyl alcohol with unleaded gasoline on the evaporative emissions control system of a 1986 Pontiac has been completed. Individual hydrocarbon (approximately 83 compounds) and methanol emissions were examined. To date, these emissions studies have not been conducted on uncontrolled vehicles.

Question: Also, please state whether this study will characterize all constituents of the emissions stream or merely focus on the detection and measurement of specific substances (e.g. formaldehyde).

Answer: Future efforts will examine the composition of refueling emissions with 10% blends of methanol, ethanol, and methyltertbutyl ether with unleaded gasoline. Approximately 200 hydrocarbon compounds will be determined in addition to the oxygenates in an effort to assess possible toxic compound exposures during self-service refueling. The impact of blending alcohol with gasoline on winter hydrocarbon, aldehyde, carbon monoxide, nitrogen oxides, carbon dioxide, and hydrogen sulfide tailpipe emissions will be examined. Future programs will also examine the atmospheric transformation chemistry of emissions from vehicles designed for methanol fuels (85-100% methanol) with emphasis on potential urban and rural ozone impact and on mutagenic/carcinogenic products.

Question: Finally, will the study assess aldehydes and carbon dioxide and will it distinguish between the emissions of coal-derived methanol and natural gas-derived methanol?

Answer: The emissions characterization studies will include measurement of aldehydes and carbon dioxide, but will not distinguish emissions between coal-derived methanol and natural gas-derived methanol. All the work to date has used natural gas-derived methanol.

TESTING AND EMISSIONS

Question: On page A-36, the Justification states that certain specified numbers of tests will be performed during the coming year. Please provide comparable numbers for such tests in previous years. If there were declines in the number of tests prior to the year covered by this budget, please state whether the previous testing results were adequate for reliable modelling of mobile source contributions to ambient concentrations of criteria and other pollutants.

Answer: Attached is a table displaying the number of tests performed for the mobile source program beginning with FY 1984 and ending with the estimates for FY 1989. This period shows relatively stable testing for the emission factor program because the largest decreases to the program were made in the early 1980s. In 1978, for instance, data on 5,300 vehicles were available for the first version of the Mobile model, MOBILE1. By 1981 data from an additional 3,400 vehicles were incorporated into the model. In MOBILE3, released in 1984, EPA was able to add data from another 2,500 vehicles. For the most recent release of the model, MOBILE4, however, the availability of new data has dropped sharply. In the four years since MOBILE3, data from only 400 additional light-duty vehicles have been incorporated.

Office of Mobile Sources
Testing Programs (FY 1984 - FY1989)
(number of tests)

Program	1984	1985	1986	1987	1988	1989
Certification/ Fuel Economy						
In-House	886	1000	1000	1000	1000	1000
Contractor	-	-	-	-	-	-
Emission Factor (includes high alt)						
In-House	1042	959	973	950	900	900
Contractor	125	445	458	360	360	360
Heavy Duty						
In-House	37	52	60	100	100	100
Contractor	-	-	-	-	-	-
In-Use Program						
In-House	306	285	173	165	165	165
Contractor	-	-	-	-	-	-
I/M Field Repair						
In-House	-	-	-	-	-	-
Contractor	200	200	170	210	210	450
Tampering						
In-House	31	100	-*	-	-	-
Contractor	-	-	-	-	-	-
Recall						
In-House	374	345	388	368	300	300
Contractor	386	310	248	300	300	300
Total						
In-House	2676	2741	2594	2583	2465	2465
Contractor	711	955	876	870	870	1110
Grand Total	3387	3696	3470	3453	3335	3575

*Resources have been redirected to provide fuels analysis support.

ACID RAIN/IMPROVE PROGRAM

Question: Two years ago, I wrote you on the subject of acid rain in the West.

Two smelters were about to begin operations in Mexico and it seemed to me an ideal opportunity to monitor their emissions and thus put to rest the question of "linearity," which has nagged the acid rain debate.

On April 28, 1986, you rejected my suggestions, saying that the data I sought could be obtained from a program called "IMPROVE," standing for Interagency Monitoring of Protected Visual Environments. You said the IMPROVE network would site additional monitors, which would detect changes from the Mexican smelters and provide data for evaluating western acid rain problems.

My understanding is that this budget would eliminate funding for the IMPROVE network. Is this correct and, if so, why is this action being taken?

Answer: No, this is not correct. EPA is funding FY 1988 IMPROVE operations and the Department of the Interior and EPA have planned for the continuation of funding through FY 1989. After FY 1989, EPA plans to assist States in the continued operation of the IMPROVE network.

USE OF ALTERNATIVE FUELS

On page A 33-34, the Justification indicates that "additional work related to the use of alternative fuels, supporting the initiative established by the Vice President's Task Force" will be undertaken with the increases described. This is one of several references to alternative fuels contained in the Justification. In that connection, please provide the following information:

Question: What are the emissions of formaldehyde from controlled and uncontrolled automobiles, light duty trucks, heavy duty vehicles, and buses?

Answer: Formaldehyde emissions from light-duty gasoline and prototype methanol vehicles are well established as the result of laboratory testing. An EPA study involving 46 in-use gasoline vehicles, selected to be representative of actual fleet composition, and tested on representative in-use fuels showed formaldehyde to represent between 1 and 2 percent of all exhaust VOC emissions. Other aldehydes, also of concern for toxicological reasons, constituted an additional percent or so. The two most recent model years tested in that study, 1981 and 1982, for which formaldehyde was roughly 1.3 percent of all organic emissions, had an average formaldehyde emission rate of roughly 7 mg/mi.

Another EPA database which comprises most publicly available data for methanol vehicles indicates that formaldehyde emissions from properly functioning prototype vehicles comprise about 6.5 percent of the exhaust organic emissions. When this percentage is applied to the proposed allowable level of organic emissions for these vehicles (a rulemaking is in progress, as discussed in a subsequent response), the emission rate is anticipated to be as high as 48 mg/mi. The vehicles in this data base are largely 1981 through 1983 vehicles; thus comparison to the gasoline vehicle data discussed above is relevant. While this emission rate is substantially higher than the gasoline vehicle emission rate, it does not represent as dramatic an increase in ambient formaldehyde concentrations, which are believed to be largely a function of secondary, photochemically created formaldehyde. It is further noted that the methanol vehicle database relies largely on prototype methanol vehicle technology, not yet optimized for emissions control. Recent developments indicate that formaldehyde emissions from more advanced technology may be substantially lower. For example, one vehicle, a Toyota Carina, emitted less than 10 mg/mi. While the durability of this emission control system has yet to be proven, EPA believes emissions performance like that achieved by this vehicle at low mileage, will be feasible in-use.

Formaldehyde emissions from light-duty trucks and heavy-duty vehicles are not well characterized. It is reasonable to surmise, however, that given their similarity in terms of technology to light-duty vehicles, light-duty trucks would have relatively similar formaldehyde fractions. In the same manner, while there are fundamental differences between the operational cycles of heavy-duty vehicles and buses, the emissions of heavy-duty vehicles may be evaluated by a comparison with buses, for which some data are available.

Testing of seven in-use GM diesel bus engines suggests that typical formaldehyde emissions measured over either the central Business District and EPA Bus Chassis cycles are on the order of 0.26 g/mi formaldehyde which represents roughly 50 percent of all aldehydes and 7 percent of all organics. Two methanol buses, one by M.A.N., equipped with a catalytic converter, and one by GM, without exhaust gas aftertreatment were also tested.[4] The GM bus emitted 2.33 g/mi aldehydes (assumed to be almost all formaldehyde), or 2 percent of all organics; the M.A.N. bus emitted only 0.15 g/mi aldehydes (also assumed to be almost completely formaldehyde) representing 11 percent of organics. While it is noted that the M.A.N. bus was tested at a lower mileage level than the diesels were, it is apparent that methanol buses, equipped with catalysts, are capable of formaldehyde control at diesel-like levels. Though more recent published data are not yet available for the GM bus, efforts to optimize its engine and the addition of a catalyst appear to have substantially lowered formaldehyde and other emissions from it.

USE OF ALTERNATIVE FUELS

Question: What are the constituents of the emissions from such vehicles and what are the differences in these, if any, between vehicles fueled with coal-derived methanol and vehicles fueled with natural gas-derived methanol? Please cite references and where possible include copies of studies conducted on the subject of this subquestion and subquestion number 1.

Answer: Conventional vehicles (gasoline and diesel) emit a mixture of carbon monoxide (CO), carbon dioxide (CO_2), water vapor, nitrogen oxides (NOx), a range of organic compounds, referred to collectively as hydrocarbons (HC), as well as numerous other compounds related to fuel properties such as sulfur and metal content. The organic compounds, regulated under one combined HC standard, include toxins such as benzene and polynuclear aromatics, and contribute to ozone production. This mixture of organic emissions includes low molecular weight molecules (C_1 through C_3 range) as well as a range of organics similar in composition to the test fuel itself.

Methanol vehicles emit a mixture of pollutants as well, the complexity of which is somewhat dependent on the quality of methanol fuel. Inorganic emissions include CO, CO_2, NOx, and water, though their proportions may differ somewhat from those associated with current vehicles. Organic emissions include primarily methanol (unburned fuel) and formaldehyde (partially combusted fuel). Pure hydrocarbons are also found in the exhaust and evaporative emissions in amounts believed to be related to, but typically greater than, the proportion of gasoline or other hydrocarbons added to the fuel. (These are sometimes added to aid in cold starting and to enhance the fuel's flame luminosity.) For more detail on exhaust and evaporative emissions speciation in gasoline and methanol vehicles, please see the EPA studies noted in the references 1,2, and 5 below.

There is no difference between the emissions of a vehicle fueled with coal-derived methanol and one fueled with natural gas-derived methanol. The fuels are chemically equivalent. In fact, their production processes rely on identical synthesis units which convert the feed gas (be it coal- or gas-derived) to methanol.

References

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3. Murrell, J.D., Piotrowski, G.K., "Fuel Economy and Emissions of a Toyota T-LCS-M Methanol Prototype Vehicle," SAE Paper 871090.

4. "The Environmental Protection Agency View of Methanol as Transit Bus Fuel," Jeff Alson, EPA/Emission Control Technology Division, November, 1985.

5. Gabele, P.A., Baugh, J.O., Black, F., Snow, R., "Characterization of Emissions From Vehicles Using Methanol and Methanol-Gasoline Blended Fuels," EPA and Northrup Services, JAPCA, V.35, pp. 1168-1175, 1985.

6. Pletcher, D., McGuckin, J., "Indirect Liquefaction Processes," EPA-AA-SDSB-82-5, February 1982.

TESTING AND EMISSIONS

Question: The justification fails to include the number of in use tests which will be performed on heavy duty vehicles in support of the emissions factor and recall programs. How many such tests are to be performed and how does that compare with tests performed in previous years?

Answer: The last major heavy-duty (HD) emission factors program was performed FY 1984 and FY 1985. This program was a cooperative venture with the diesel and gasoline engine manufacturers wherein they acquired the engines and we tested them. We tested 31 HD diesels and 18 HD gasoline engines. We currently have no active HD emission factors program because of the expensive nature of engine procurement. If we were to acquire engines ourselves it would be prohibitively expensive to EPA. Thus, we will have to rely on another industry/EPA cooperative program. In that these are very difficult to arrange, we feel it best to wait until after the next significant standards change has occurred, probably FY92.

In FY85, we performed several tests on two engines which were part of a pilot HD gasoline recall program. However, it was found that it is very costly to procure HD engines for recall purposes and thus for lack of funding we do not have an active HD recall program.

The majority of our work in the heavy-duty area is focused on standards implementation, with a view towards the 1991 and 1994 particulate standards. For example, we have tested several HD diesel particulate traps to look at trap feasibility, fuel economy impact, sulfate formation characteristics, and fuel sulfur influences. We have also looked at various alternate fuels that may be appropriate for compliance with future standards. These include Compresed Natural Gas (CNG) and methanol.

Another standards implementation area in which we work is test procedure development to support our current HD diesel and gasoline regulations. We also are developing and refining our test procedures for unburned methanol and formaldehyde in support of our methanol fueled engine emissions regulations.

We also support the Selective Enforcement Audit (SEA) program by performing round robin testing of HD gasoline and diesel engines. These round robin programs are with the HD industry testing laboratories in which the SEA testing is actually done.

Our testing level for all three years that our budget deals with (FY 1987, FY 1988, and FY 1989) is about constant, at 100 tests per year. The mix of test types (e.g., in support of SEA or standards implementation) is a bit different over these three years, however.

trading and banking would promote the purposes set forth in Section 202(a)(3) of the Act as amended in 1977 with regard to HDE engines. These provisions require stringent emission standards for both NOx and particulate. The NOx emission standard for 1991 is 5.0 g/BHP-hr, a significant reduction from the current standard of 10.7 g/BHP-hr. For particulate, the provisions simply call for as stringent an emission standard as possible. The 1991 particulate standard is 0.25 g/BHP-hr (0.10 g/BHP-hr for transit bus engines) with a decrease to 0.10 g/BHP-hr in 1994.

Achieving the large emission reductions called for by the Act is technologically difficult and potentially costly. Programs such as trading and banking would increase the manufacturers' flexibility in demonstrating compliance with the 1991 and 1994 standards and would reduce the overall costs of compliance, since manufacturers could use traded or banked credits if it was less costly. Futhermore, making credits marketable and useful over several model years may provide manufacturers more incentive to develop and implement new emission control technology which in turn leads to lower NOx and particulate emissions and the generation of credits. At the same time, the technology developed to achieve these lower emission rates could supply EPA the technological basis to propose and implement more stringent NOx/PM emission standards for the future. Thus, trading and banking would enhance the economic efficiency of the current NOx and particulate standards and promote the goal of achieving the greatest emission reductions available from all HDEs in the future.

MOBILE SOURCE USER FEES

Question: Page A-38 the Justification states that in 1989 the mobile source program will propose mobile source user fees. Please indicate whether any such fees are now imposed and, if so, on what basis and the total revenue which they raise. Please also indicate what proposals the Agency is considering and, if possible, provide details, including legislative language necessary to authorize such a user fee program. If statutory amendment is not required, please state what sums of the Agency could raise through the adoption of such a user fee program during the coming fiscal year. How much would such a fee program add to the price of a car or truck?

Answer: Fees for manufacturer vehicle compliance and fuel economy programs are not imposed by EPA at the present time. The Agency is considering a proposal to charge fees for these programs using a provision of the Independent Offices Appropriations Act (IOAA) of 1952, (31 U.S.C. ¶9701). The provision states in part:

> It is the sense of Congress that each service or thing of value provided by an agency... to a person ... is to be self-sustaining to the extent possible. The head of an agency may prescribe regulations establishing the charge for a service or thing of value provided by the agency. ...Each charge shall be fair and based on costs to the Government, the value of the service or thing to the recipient, and other relevant facts...

The IOAA provides legislative authority to establish a fee program to recover government costs. Using the IOAA as legal authority, preliminary estimates by EPA suggest that 3 to 7 million dollars could be raised annually depending on the scope of the fee program ultimately adopted. The minimum revenue program very conservatively implements IOAA authority and limits assessment for services resulting only from EPA's preproduction certification program and fuel economy program. The upper range of fee assessment contemplates a more aggressive (but in EPA's opinion still legally defensible) interpretation of IOAA authority which would allow EPA to charge for additional types of emission compliance program activities. For example, this maximum program would include fee assessments for some aspects of EPA's Selective Enforcement Audit and in-use compliance enforcement programs as well as the preproduction certification program.

While EPA is comfortable with the authority provided under IOAA, any rulemaking action is subject to legal challenge. As the program options are further developed, consideration of these potential legal challenges may influence the scope of any program recommendation and the resultant fee potential.

The final addition to the price of a car or truck due to a fee program should not be very large. A manufacturer could choose to pass this cost on by prorating the fee over annual vehicle sales. Even the larger fee amount ($7 million) spread over the several million vehicles sold in any one model year, should result in a small additional cost per vehicle.

NATIONAL STREAM SURVEY

Question: Mr. Thomas, it is my understanding that the Agency has prepared an assessment of the National Stream Survey. My recollection is that when the data collected for the National Lake Survey was at a comparable point two years ago it was made public.

Would you provide the Committee with copies of the draft report on the stream survey as well as the assessment which was prepared for you?

Answer: We will be pleased to forward the draft report on the National Stream Survey to the Committee. This draft report provides information on the current acidity of streams surveyed. It is currently being revised due to peer-reviewer comments including reviewers from all the states surveyed. The final report is scheduled for release in early June at which time EPA will brief Congressional staffs, the press, and interested constituent groups.

The draft National Stream Survey, cited in the March 23, 1988 edition of the Washington Post, reflected limited, raw data. Although this document could be viewed as an intermediate, preliminary asessment, many of its earlier quantitative conclusions have been modified due to further analysis and evaluation.

SELECTIVE ENFORCEMENT AUDITS (SEAs)

Question: Of the 197 audits EPA conducted from 1977 through 1982, 10 resulted in production terminations of particular models. Average vehicle failure rates among all manufacturers for assembly line testing ranged from a high of 24.5 percent in 1977 to a low of 10.0 percent in 1981. Except for an increase in vehicle failure rates in 1982, the average failure rate has continued to decrease with time. Is that an accurate summary of the historical experience with SEA?

Answer: Yes, it is.

Question: What has been the experience since 1982?

Answer: Since 1982, the failure rate for light-duty vehicle and light-duty truck SEAs has steadily remained at or below 10 percent. In the 1986 and 1987 model years, the SEA vehicle failure rates were 1.1 and 2.1 percent, respectively.

The heavy-duty SEA program was implemented in the 1986 model year. The engine failure rate in the 1986 model year was 21.4 percent. The SEA engine failure rate declined to 15.0 percent in the 1987 model year.

The charts on the following two pages provide more information regarding the historical experience with SEAs.

SELECTIVE ENFORCEMENT AUDITS

SEA HISTORICAL DATA - Light-Duty Vehicles and Trucks

Model Year	Total SEAs	Vehicles Tested	Vehicles Failed	Failure Rate(%)	Terminated Configurations
1977	20	208	51	24.5	2
1978	32	319	71	22.2	1
1979	36	344	74	21.5	4
1980	39	367	60	16.3	1
1981	28	237	24	10.1	0
1982	25	214	42	19.6	2
1983	17	149	15	10.1	0
1984	17	125	3	2.4	0
1985	17	110*	8	7.3	0
1986	17	87*	1	1.1	0
1987	18**	94*	2	2.1	0
TOTAL	266	2,254	351	15.6	10

* Regulatory amendments effective January 11, 1985, instituted a new sequential sampling plan to replace the previous batch sampling. The sequential sampling plan will result in an estimated reduction of 27% in the number of tests per SEA.

** Includes four SEAs of heavy-duty engine families certified to light-duty truck standards.

SELECTIVE ENFORCEMENT AUDITS

SEA HISTORICAL DATA - Heavy-Duty Engines

Model Year	Total SEAs	Engines Tested	Engines Failed	Failure Rate(%)	Terminated Configurations
1986	4	28	6	21.4	0
1987	3	20	3	15.0	0
TOTAL	7	48	9	18.8	0

NOTE: Four 1988 model year domestic heavy-duty engine SEAs are scheduled later in the 1988 calendar year.

RECALL PROGRAM

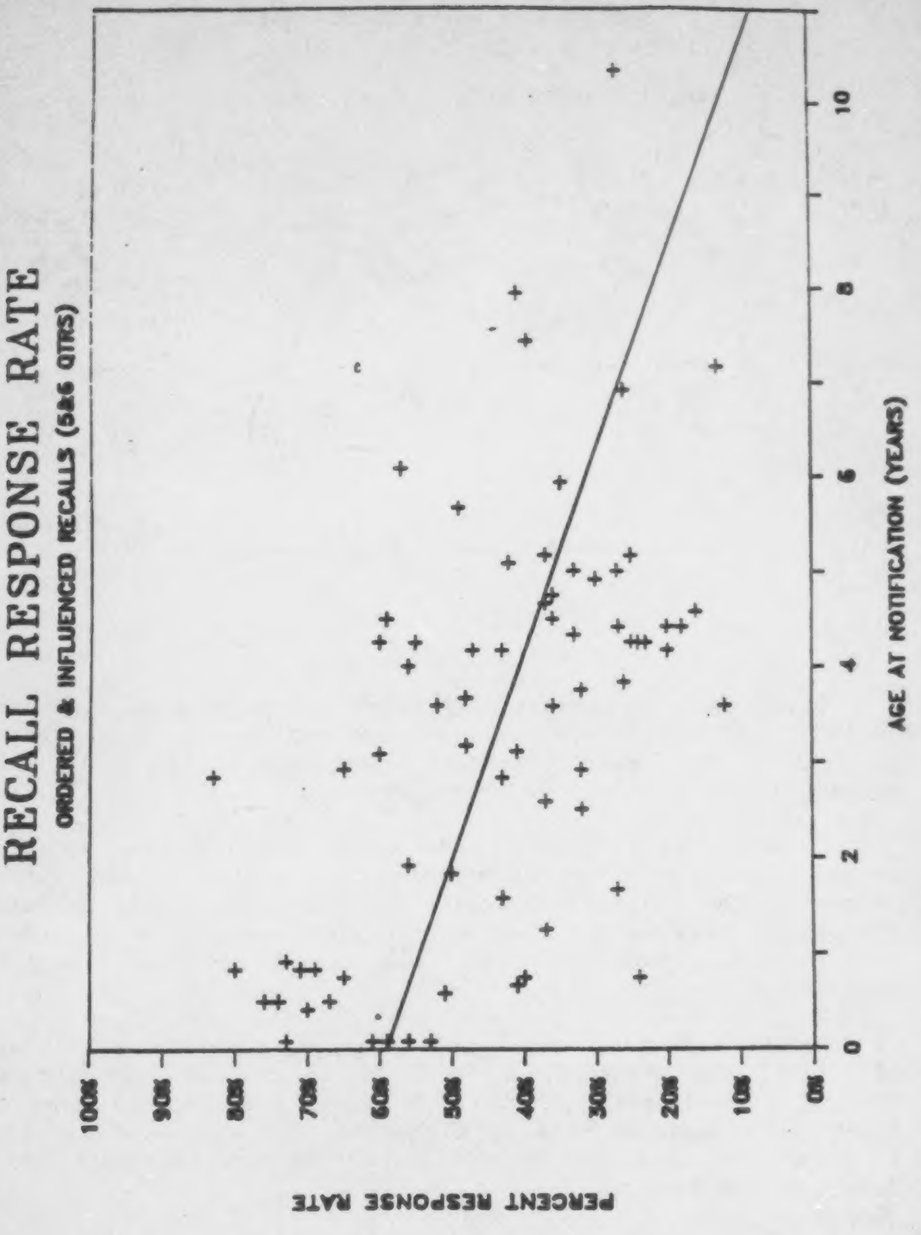
Question: Since heavy-duty truck standards were tightened in 1985, how many heavy-duty trucks or engines have been tested per year by the Federal transient test procedure for recall purposes? Have any truck recalls resulted?

Answer: No heavy-duty trucks or engines have been emission tested to date for recall purposes. A limited field survey program which involves inspection of in-use heavy-duty vehicles for proper functioning of emission control components was initiated in fiscal year 1987. No recalls have resulted from this program.

In the Selective Enforcement Auditing program in 1986 and 1987 model year testing, a total of 48 engines were tested. Nine of the engines tested (18.8 percent) failed to meet at least one standard. None of the seven SEAs completed resulted in a fail decision, and no configurations were terminated as a result of SEA testing.

Question: With regard to light-duty recalls, what percentage of the vehicles recalled are actually brought in by their owners for repair? Is there any trend up or down in this response rate?

Answer: A graph showing the owner response rate to recalls as a function of age of the vehicle at the time of recall is provided as Attachment 1. We have observed no up or down trend in response rates during the time the recall program has been in place.



RECALL RESPONSE RATE

ORDERED & INFLUENCED RECALLS (5&6 QTRS)

ANTI-TAMPERING/MISFUELING

Question: Anti-tampering/Misfueling: EPA maintains an active enforcement program to deter violations of fuel and tampering regulations. The Table below summerizes the number of enforcement actions initiated by EPA and the amount of penalty sought.

YEAR	FUEL CASES PENALTY SOUGHT ($)		TAMPERING CASES PENALTY SOUGHT ($)	
1975	NDA*		4	40,000
1976	NDA		5	50,000
1977	773	2,417,200	38	1,150,000
1978	518	1,992,125	49	1,102,500
1979	185	947,140	44	495,000
1980**	242	9,458,000	19	442,500
1981**	464	13,300,000	14	215,000
1982	136	1,153,000	4	102,500

*No data available.
**Includes violations of the lead phasedown regulations.

Question: Is this summary accurate?

Answer: Yes.

Question: What has the experience been since 1982?

Answer: FOSD NOV Activity

Fiscal Year	Fuels NOV°s	Proposed Penalties	Tampering NOV°s	Proposed Penalties
1983	491	$14,458,555	10	$397,500
1984	544	13,673,560	41	1,414,100
1985	622	10,234,880	23	621,800
1986	300	6,315,376	73	1,433,550
1987	312	56,518,359	58	1,525,150

IN USE TESTING OF VEHICLES

Question: How many vehicles have been tested each year since 1980 as part of the Emission Factors test program? Have any of these vehicles been tested under non FTP conditions, e.g., low speed, cold temperature, high speeds? Have any tests been conducted at speeds substantially above 55 MPH (70 MPH or more)?

Answer: The numbers of vehicles tested in each fiscal year for the Emission Factor Program are provided in the following table. The vehicles tested include both automobiles and light-duty trucks.

Fiscal Year	Number of Vehicles	Fiscal Year	Number of Vehicles
1980	2144	1985	226
1981	1191	1986	242
1982	1094	1987	333
1983	469	1988	175 (estimate)
1984	349		

Some of these vehicles were tested under different temperature and speed conditions than those characterized by the FTP. The average speed of the FTP is about 20 mph, while the nominal temperature is 75'F. Approximately 430 of the vehicles tested between 1980 and 1987 were tested on cycles with average speeds ranging from 7 MPH to 48 MPH. About 100 of these 430 vehicles were further tested on cycles with even lower average speeds down to 2.5 MPH. No vehicle tests since 1980 have been conducted on cycles with average speeds above 55 MPH.

Approximately 140 vehicles have been tested in the 1980 to 1987 time frame at colder ambient temperatures than the FTP. Generally, these 140 vehicles were tested at 20' and 50'F.

REFERRALS TO DEPARTMENT OF JUSTICE

Question: Mr. Thomas, could you provide the Committee with a listing of all referrals which have been made to the Department of Justice during the last three years and the status of those. That is, could you state whether actions have been filed or otherwise initiated and, if so, the current status.

Answer: The following charts provides information on Referrals to the Department of Justice for fiscal years 1985, 1986, and 1987 and combined total.

STATUS OF CASES REFERRED TO DEPT OF JUSTICE

MEDIA	AIR	HAZARDOUS WASTE/SUBST	PESTICIDES & TOXICS	WATER	TOTAL
FISCAL YEAR 1985					
CASES REFERRED TO DOJ	86	46	18	96	246
# PENDING DOJ	1	0	0	0	1
# RETURNED TO REGION	0	1	0	0	1
# FILED & PENDING IN COURT	18	20	7	17	62
# CONCLUDED BY CONSENT DECREE OR LITIGATION:					
STILL ACTIVE	57	13	7	68	145
CLOSED	1	0	0	1	2
# CASES CLOSED:					
BEFORE FILING	6	7	2	7	22
COURT DISMISSED	3	5	2	3	13

MEDIA	AIR	HAZARDOUS WASTE/SUBST	PESTICIDES & TOXICS	WATER	TOTAL
FISCAL YEAR 1986					
CASES REFERRED TO DOJ	130	97	22	129	378
# PENDING DOJ	8	1	0	6	15
# RETURNED TO REGION	2	4	0	1	7
# FILED & PENDING IN COURT	57	63	11	48	179
# CONCLUDED BY CONSENT DECREE OR LITIGATION:					
STILL ACTIVE	47	18	6	61	132
CLOSED	5	0	0	0	5
# CASES CLOSED:					
BEFORE FILING	9	9	4	8	30
COURT DISMISSED	2	2	1	5	10

STATUS OF CASES REFERRED TO DEPT OF JUSTICE

MEDIA	AIR	HAZARDOUS WASTE/SUBST	PESTICIDES & TOXICS	WATER	TOTAL
FISCAL YEAR 1987					
CASES REFERRED TO DOJ	99	78	13	91	281
# PENDING DOJ	43	17	3	28	91
# RETURNED TO REGION	8	6	1	3	18
# FILED & PENDING IN COURT	41	44	8	50	143
# CONCLUDED BY CONSENT DECREE OR LITIGATION:					
STILL ACTIVE	2	8	0	10	20
CLOSED	2	0	1	0	3
# CASES CLOSED:					0
BEFORE FILING	2	0	0	0	2
COURT DISMISSED	1	3	0	0	4

MEDIA	AIR	HAZARDOUS WASTE/SUBST	PESTICIDES & TOXICS	WATER	TOTAL
FISCAL YEARS 1985, 1986, AND 1987					
CASES REFERRED TO DOJ	315	221	53	316	905
# PENDING DOJ	52	18	3	34	107
# RETURNED TO REGION	10	11	1	4	26
# FILED & PENDING IN COURT	116	127	26	115	384
# CONCLUDED BY CONSENT DECRE	0	0	0	0	0
OR LITIGATION:	0	0	0	0	0
STILL ACTIVE	106	39	13	139	297
CLOSED	8	0	1	1	10
# CASES CLOSED:	0	0	0	0	0
BEFORE FILING	17	16	6	15	54
COURT DISMISSED	6	10	3	8	27

REFERRALS TO DEPARTMENT OF JUSTICE

Question: I am particularly interested in the referrals under the Clean Air Act for stationary source enforcement. It is my understanding that of the approximately 82 cases referred to the Department of Justice, one-half are still pending because EPA has not yet disapproved the proposed amendment to the State Implementation Plans affecting those sources.

Could you say whether or not this is the case and, if so, why EPA has not yet acted on the SIP revisions? Also, has EPA received any communications from the Office of Management and Budget on this subject and; if so, could you please provide copies of those or otherwise tell the Committee their substance.

Answer: We have completed a more recent review of the 1985-1987 civil judicial cases referred to DOJ which discloses the following information about referred cases involving violations of SIPs, which have not been concluded: 1/

Referred SIP Cases at DOJ, Actual as of March 1988.	Referred Cases with SIP Revision Issues as of March 1988.
83	32

The EPA has received many single-source SIP revision variances, compliance date extensions, reasonable available control technology limit revisions, bubbles, regulation relaxations, etc. Virtually all of these are less stringent than the presently approved SIP regulations. Most do not have adequate technical support and often are inconsistent with existing EPA policy. EPA has tried to work with the States to add the necessary documentation and revise the submittal so that it meets the Clean Air Act and EPA policy requirements. We feel that it is better for EPA/State relationship to work together, where possible, on these revisions. This is the reason why many SIP revisions have not been finalized.

EPA is expediting the review of SIP revisions. The reviewing offices have begun to review SIP revisions with enforcement actions on an expedited schedule.

1/ Some of these referrals are being processed for filing with the courts; others have been filed and are undergoing discovery; others have been negotiated and are awaiting entry of Consent Decrees. This number does not include cases with entered Consent Decrees. One case involved a SIP revision issue is still pending at DOJ prior to filing.

The question about the status of Clean Air Act (CAA) referrals of State implementation plan (SIP) cases arises in light of the Fifth Circuit decision in American Cyanamid Co. v. EPA, 810 F.2d 493 (5th Cir. 1987), which held that EPA may not collect Section 120 penalties for violations of an applicable SIP during the period between 4 months after a State submits and the date EPA rejects a SIP revision.

The American Cyanamid decision affects only section 120 enforcement actions in Regions located in the Fifth Circuit (Louisiana, Mississippi, and Texas). Other courts have held different positions, and EPA believes that the 4-month SIP review limitation in section 110(a)(2) should not affect the remedy in an enforcement action. However, several defendants have raised this issue in other courts. There are 11 cases in which the issue has been raised in counterclaims and motions for summary judgment or a stay of proceedings. Two of these cases have resulted in favorable decisions for EPA. In other cases, defendants have chosen to negotiate terms of a consent decree rather than to litigate the issue.

We have had limited communication from OMB on the issue of delays in acting on SIP revisions or on pending referrals for enforcement action. We have provided OMB with a copy of the Fifth Circuit decision on the American Cyanamid Co. case.

FUEL ADDITIVES EFFECTS ON EMISSIONS

Question: In a report prepared for the Office of Technology Assessment on the control of mobile source emissions, the authors state that manufacturers regularly use Chevron gasoline for engine certification because it reduces emissions. Is it true that fuel additives can influence emissions of such pollutants and, if so, does the Agency have any program underway to identify such additives? If there is such a program, please describe its size, location, and cost and please also list additives which have been demonstrated to have a positive effect on tailpipe emissions.

Answer: American automobile manufacturers regularly use Chevron gasoline for their mileage accumulation on durability vehicles undergoing certification. However, the Chevron fuel is not used for certification emission tests. The Chevron fuel contains a deposit control additive. Deposits in the fuel system can result in increased emissions. Chevron provided data which showed that vehicles which accumulated miles with the Chevron additive had lower emissions compared to a gasoline without the additive. Chevron is not the only refiner marketing gasoline with this type of additive. Fuel additives which maintain fuel system cleanliness indirectly promote more complete combustion, and thus lower levels of the regulated pollutants. The Agency has a Fuel and Fuel Additive registration program which requires the manufacturers of fuel additives to register their additives and provide information on composition and performance. While the major objective of the program is to identify additives which may have combustion products detrimental to public health, it can also be used to identify additives which may have a beneficial impact on emissions. The program is located in Washington, D.C. and is run under $100,000 per year contract. At this time the program has not been used to identify beneficial additives.

OZONE DEPLETION

Question: On page A-22, the Justification states that results of UV-B research "will be used by Agency policymakers before recommending any additional controls in 1994." This suggests (a) that the Agency has already determined that no domestic controls beyond those explicitly necessitated by the Montreal Protocol will be implemented and (b) that depletion of the ozone layer is not, in and of itself, a sufficient basis for regulating CFCs. Are these correct intepretations of the Agency's views and, if not, would you please elaborate on the statements in the justification.

Answer: The Montreal Protocol contains, as part of its basic structure, an assessment and review process. The first set of assessments is to be completed in 1989/90 with the Parties meeting in 1990 to determine if any changes in the existing requirements are warranted. The initial studies funded through ORD will be used in this process, but will only make a significant contribution in latter years as more research is completed. The budget justification focussed more narrowly on the decision by the Parties to the Protocol to review in approximately 1994 the 50% stage in the proposed reductions. The parties can decide by a two-thirds vote not to impose this reduction or to impose more stringent controls. The studies on UV-B effects will be used, as the information becomes available, for each of the assessments beginning in 1989/90 and not only for the 1994 decision. Any policy decisions concerning the need for greater or reduced controls will be made as more information becomes available. This could be before 1994. In addition, given the global nature of the issue, our strong emphasis will be on using the Protocol's framework for reducing risks.

Section 157(b) of the Clean Air Act states clearly that regulatory action should be taken if the stratosphere is affected and "if such effect in the stratosphere may reasonably be anticipated to endanger public health or welfare." Thus, EPA must consider both the possibility of ozone depletion and its health and environmental impacts in evaluating its regulatory responsibilities.

NEW SOURCE PERFORMANCE STANDARD

Question: Page A-27 of the Justification states that a New Source Performance Standard for municipal waste incinerators will be developed and proposed during the coming fiscal year. By what date is that expected?

Answer: The proposal for municipal waste incinerators is scheduled for November 1989.

GLOBAL CLIMATE STUDIES

Question: Page A-28 of the Justification states that a decrease of $1,130,000 reflects anticipated completion of the global climate studies in 1988. Please provide a list of these studies and the anticipated dates of completion. A similar request was made during Ms. Linda Fisher's confirmation hearing and to date the information has not been received.

Answer: The decrease of $1,130,000 for global climate studies on A-28 reflects completion of work under that program element only. An increase of $1,017,600 on MS-50 will continue global climate work in 1989 under a different program element. The Agency does plan to essentially complete two reports to Congress on global climate change by the end of calendar year 1988. The reports will deal with the Effects of Global Climate Change on the Environment and with the Effects of Policy Options for Stabilizing Atmospheric Trace Gas Concentrations. We are forwarding a copy of the January 29, 1988 letter sent to Senator Stafford in response to a request at Ms. Fisher's confirmation hearings which elaborates on plans for the two reports.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JAN 29 1988

OFFICE OF
POLICY, PLANNING AND EVALUATION

Honorable Robert T. Stafford
Committee on Environment
  and Public Works
United States Senate
Washington, D.C. 20510

Dear Senator Stafford:

During my confirmation hearings several questions were raised concerning the agency's commitment to assess the global climate change issue. This letter is intended to convey my strong interest in this subject, to summarize our recent activities and to provide you with a sense of our schedule for the next year.

First, let me assure you that the stimulus provided by Congress has provoked attention to this issue at all levels of this agency during the past year. We have gone through an extensive planning process, begun to work with other agencies and held numerous workshops with members of the scientific community to discuss critical scientific issues. We have expanded the staff working on the climate program and developed over fifty projects with other federal agencies, academic institutions and contractors. We are actively participating in interagency dialogues and expanding international activities on this subject.

Second, we are engaged in producing the two reports requested by the Congress. We believe these reports will provide significant insights about the global change issue, but because of the nature of the problem they will only be a first step. We anticipate that much more work will remain to be done in the years that follow. In the next several months, preliminary information from many of the investigators contributing to the reports will be provided to EPA. We will hold at least four workshops in March and April to present our initial analyses and to gather information from technical and policy experts. Workshops will be held to explore current knowledge on potential energy conservation strategies, emerging energy technologies, energy development paths in less developed countries and potential agriculture and deforestation strategies. Staff members from your committee will be invited to these workshops. In August, we anticipate that draft reports will be submitted to EPA's Science Advisory Board and other experts for review. We expect a formal review by the SAB in September, Executive Branch review in November and final report for Congress in December 1988.

Finally, we clearly recognize that this issue is not one that can be dealt with by any one nation. Toward this end, we have already begun to work with the United Nations Environment Programme and the World Meteorological Organization to explore ways that we might coordinate and develop an intergovernmental mechanism that would allow us to conduct a scientific assessment of global climate change. We also recently hosted a workshop of OECD countries that concluded that energy and economic analyses should be conducted within OECD and we have expanded bilateral agreements with countries such as China, U.S.S.R. and Canada to deal with climate issues. We expect this groundwork of international activities to provide a strong foundation for future understandings.

Please be assured of my commitment and interest in the global climate issue. I would be pleased to answer any questions you may have on our activities.

Sincerely,

Linda J. Fisher

Linda J. Fisher
Assistant Administrator

USE OF ALTERNATIVE FUELS

Question: What regulations are being considered to control emissions from vehicular combustion of methanol, ethanol and other alternative fuels? Which of these possible regulations was included in the submission to OMB?

Answer: EPA is in the process of promulgating emission standards for methanol-fueled vehicles. This is being done as the result of a broad consensus among industrial and governmental interests that methanol is the most likely candidate to succeed gasoline as a national motor fuel. The lack of emission standards was seen as a barrier to methanol implementation, since it represented an unquantified future liability to those engaged in methanol vehicle research and development. The proposed standards were published in August 1986. Final rules are due out this summer.

Ethanol and compressed natural gas (CNG) are not presently being included in the Federal Motor Vehicle Control Program. While these fuels have roles to play in the nation's transportation future, they have less potential to replace gasoline on a national scale than does methanol. A consensus has not yet developed that action to regulate the emissions of vehicles fueled by ethanol or CNG is necessary to remove regulatory impediments to their implementation. It is noted, however, that the existing standards and test procedures are set up such that inclusion of alternatives such as these fuels can be effected when such action is useful.

IN USE TESTING OF VEHICLES

Question: How many vehicles have been tested each year since 1980 as part of the Emission Factors test program? Have any of these vehicles been tested under non FTP conditions, e.g., low speed, cold temperature, high speeds? Have any tests been conducted at speeds substantially above 55 MPH (70 MPH or more)?

Answer: The numbers of vehicles tested in each fiscal year for the Emission Factor Program are provided in the following table. The vehicles tested include both automobiles and light-duty trucks.

Fiscal Year	Number of Vehicles	Fiscal Year	Number of Vehicles
1980	2144	1985	226
1981	1191	1986	242
1982	1094	1987	333
1983	469	1988	175 (estimate)
1984	349		

Some of these vehicles were tested under different temperature and speed conditions than those characterized by the FTP. The average speed of the FTP is about 20 mph, while the nominal temperature is 75°F. Approximately 430 of the vehicles tested between 1980 and 1987 were tested on cycles with average speeds ranging from 7 MPH to 48 MPH. About 100 of these 430 vehicles were further tested on cycles with even lower average speeds down to 2.5 MPH. No vehicle tests since 1980 have been conducted on cycles with average speeds above 55 MPH.

Approximately 140 vehicles have been tested in the 1980 to 1987 time frame at colder ambient temperatures than the FTP. Generally, these 140 vehicles were tested at 20° and 50°F.

USE OF ALTERNATIVE FUELS

Question: Please state with greater specificity exactly what activities are contemplated with this budget increase and why they are essential.

Answer: Alternative fuels are being increasingly recognized as a major potential option for motor vehicle emission reductions in the 1990s. EPA/OMS has played a key role in the Alternative Fuels Working Group, established by the President's Task Force on Regulatory Relief in the Spring of 1987 to investigate the potential for alternative fuels to reduce urban pollution. The Task Force released reports written by EPA in July 1987 and January 1988 that generated significant interest with both the media and state and local air quality planners. In addition, the Agency's Post-1987 Ozone Policy identified alternative fuels as one option for States to consider in State Implementation Plans. It is clear that many States are or will soon be considering alternative fuels programs.

The FY89 budget will be used to support work in alternative fuels in two primary areas. The first area is support for implementation of the 1991 transit bus engine emission standards. We have stringent particulate matter (0.1 g/bhp-hr) and nitrogen oxides (5.0 g/bhp-hr) standards taking effect in 1991 for engines used in transit buses. Detroit Diesel Corporation, the primary diesel bus engine supplier in the U.S. and owned partly by General Motors, has publicly stated that it intends to comply with the 1991 bus emission standards by discontinuing its diesel line and replacing it with a methanol bus engine. We expect at least one other manufacturer to provide methanol engines, and possibly Compressed Natural Gas (CNG) engines as well. While the engine-related issues are the responsibility of the engine manufacturers, there will be many economic and operational issues facing the bus industry in 1990 as it prepares for the transition to methanol buses. Such issues include, but are not limited to: design and construction of methanol fueling facilities, fuel supply prices and contracts, safety issues, data collection, etc. EPA will need to provide technical support to the States and local transit authorities on these issues in order to support the implementation of the 1991 transit bus engine emission standards.

The FY 1989 budget increase will also support the demonstration of the emissions reduction potential of advanced technology methanol vehicles. Unfortunately, it has become apparent that because of the interest in methanol flexible fuel vehicles, the major domestic automobile manufacturers have ended most of their dedicated methanol vehicle research programs. Yet for purposes of both air quality planning at the State level and the development of a national strategy for the post-petroleum future, policymakers must be able to identify the true potential of methanol as a vehicle fuel (to date, methanol vehicles utilized in demonstration programs have been little more than gasoline vehicle clones, with very little effort to optimize them for methanol's superior fuel properties). The two most critical areas which require additional effort are formaldehyde emissions and cold startability with pure methanol fuel. FY 1989 work in this area will focus on formaldehyde emissions control. There are several parameters of catalytic converter technology (noble metals used, loadings, overall converter size, placement in exhaust stream to maximize temperature, etc.) that must be optimized for formaldehyde control. One specific area that would be pursued is the development of a "cold start" or "pre-"catalyst. This would entail the use of a small catalyst, in front of the main catalyst, which could heat up to working temperature much more quickly and therefore significantly reduce formaldehyde emissions during the start-up and warmup phases, when such emissions are highest. The most promising concept would involve a design whereby the catalyst substrate could be resistively heated almost instantaneously when the ignition were turned on. OMS has been working with a ceramic material with a very low mass and conductivity which makes it an ideal candidate for such an application. Our preliminary analyses suggest that it might be workable, but many design issues must be addressed in order to evaluate it in a vehicle application. A second option in this regard is to utilize a small metal monolith which could be electrically heated without the need for a ceramic-to-metal interface. Metal monoliths have been receiving increasing attention as production catalysts, but the size of a metal monolith would have to be much smaller than today's production units to work effectively as a pre-catalyst. It is important to note that if this pre-catalyst concept proves workable, it could also be applicable to gasoline vehicles.

NOTICE OF PROPOSED RULEMAKING

Question: Page A-35 of the Justification states that the Agency will issue a Notice of Proposed Rulemaking for controlling diesel fuel composition. Last year's justification stated that the Agency would issue an Advanced Notice of Proposed Rulemaking on the same subject. Was such an ANPR ever published? If so, please provide a copy. It not, please state the date by which an NPR is expected and exactly what aspects of diesel fuel composition it will seek to address.

Answer: The Advanced Notice of Proposed Rulemaking mentioned in last year's budget was primarily to include a comprehensive internal study of potential diesel fuel controls, which the Agency had intended to publish and request comments prior to development of a Notice of Proposed Rulemaking. However, the Agency has determined that there is not sufficient time before a final rule is needed to publish this study prior to the Notice of Proposed Rulemaking. Instead, the Agency has decided to use this comprehensive study as a Draft Regulatory Impact Analysis to support the NPR to be released in late 1988. Also, the Agency did release for comment a contractor study on diesel fuel controls in June of 1986, which served the basic purposes of an Advanced Notice of Proposed Rulemaking. The Notice of Proposed Rulemaking will likely include some degree of sulfer control. A decision on whether it will include aromatics control has not yet been made.

TESTING AND EMISSIONS

Question: The justification fails to include the number of in use tests which will be performed on heavy duty vehicles in support of the emissions factor and recall programs. How many such tests are to be performed and how does that compare with tests performed in previous years?

Answer: The last major heavy-duty (HD) emission factors program was performed in FY 1984 and FY 1985. This program was a cooperative venture with the diesel and gasoline engine manufacturers wherein they acquired the engines and we tested them. We tested 31 HD diesels and 18 HD gasoline engines. We currently have no active HD emission factors program. We will rely on another industry/EPA cooperative program. In that these are very difficult to arrange, we feel it best to wait until after the next significant standards change has occurred, probably FY92. We do not expect to gain significant new knowledge by testing prior to this time.

In FY85, we performed several tests on two engines which were part of a pilot HD gasoline recall program. Subsequently, however, we have not been able to justify the level of expense for processing HD engines for recall purposes. Increases for this activities incorporated into the FY 1988 budget request were eliminated as a result of competing priorities.

The majority of our work in the heavy-duty area is focused on standards implementation, with a view towards the 1991 and 1994 particulate standards. For example, we have tested several HD diesel particulate traps to look at trap feasibility, fuel economy impact, sulfate formation characteristics, and fuel sulfur influences. We have also looked at various alternate fuels that may be appropriate for compliance with future standards. These include Compresed Natural Gas (CNG) and methanol.

Another standards implementation area in which we work is test procedure development to support our current HD diesel and gasoline regulations. We also are developing and refining our test procedures for unburned methanol and formaldehyde in support of our methanol fueled engine emissions regulations.

We also support the Selective Enforcement Audit (SEA) program by performing round robin testing of HD gasoline and diesel engines. These round robin programs are with the HD industry testing laboratories in which the SEA testing is actually done.

Our testing level for all three years that our budget deals with (FY 1987, FY 1988, and FY 1989) is about constant, at 100 tests per year.

REQUEST FOR EPA TEST DATA

Question: Can all available EPA test data (recall and emissions factors) be provided to the Committee on a disc in a Lotus 123 format?

Answer: All available recall data are being provided to the Committee under separate cover on a disc in Lotus 123 format. Emission factor data in the Lotus 123 format can be provided in approximately two weeks.

No test data from light-duty vehicle and light-duty truck Selective Enforcement Audits are available on a disc. This data is available in hard copy.

SUGGESTED MONITORING SITE IN LYE BROOK

Question: Mr. Thomas, Acadia National Park is a class I area in which visibility is required by law to be protected.

My own State of Vermont has recently revised its SIP to provide for visibility protection.

Although there is a visibility network operated under the IMPROVE program in the eastern United States, the only monitor located in the Northeast is in Acadia, a costal site which is not a representative of New England. There is widespread agreement among the officials of the Northeastern States that additional monitoring is necessary. One potential site would be Lye Brook Wilderness Area in Vermont. There are other possible sites, but it is my understanding that Lye Brook has been recommended by Northeast States for Coordinated Air Use Management.

The cost of such a site is well beyond the resources of any individual States or even a group. Moreover, the Clean Air Act specifically contemplates that such monitoring will be either conducted by or supported by the Federal Government.

Is the Agency planning to expand the network to include a monitoring site in Lye Brook or a comparable location? If not, on what factual basis does the Agency plan to respond to the Vermont SIP and other efforts to protect visibility in New England, as required by law?

Answer: EPA, in conjunction with the Department of the Interior and the Department of Agriculture, established the Interagency Monitoring of Protected Visual Environments (IMPROVE) Program as part of its strategy to monitor visibility in mandatory Class I Federal areas (certain national parks and wildernesses and international parks). There are 156 mandatory Class I Federal areas identified as having visibility as an important value. It was not possible for EPA to monitor in all of those areas. In selecting monitoring sites, the IMPROVE Steering Committee considered several factors such as the location of existing monitoring sites, the representativeness of the site, the physical constraints, and the potential for impacts from new sources. The Federal Government has established and will operate the monitoring network for the first 3 years.

It costs approximately $75,000 to purchase and install the equipment for a visibility monitoring site and an additional $75,000 per year to operate the site. For fiscal years through FY 1989, EPA and the Department of the Interior will fund the network. After FY 1989, EPA plans to assist States in the continued operation of the IMPROVE network.

There are no specific plans to expand the present IMPROVE monitoring network to include additional sites. However, the U.S. Forest Service is expanding their air quality program which may include some visibility monitoring. The Lye Brook Wilderness may be included in this effort. EPA will also work with any State which desires to establish its own visibility monitoring site.

To protect visibility in New England, EPA will rely on the monitoring strategies approved in Vermont and visibility protection strategies contained in promulgated Federal plans for New Hampshire and Maine, and further action to address existing visibility impairment in Maine.

MOTOR VEHICLE PROGRAM DATA

Question: In the past, you have provided us with information on the motor vehicle program which has been very helpful to the Committee in its deliberations. This has included data on certifications, recalls, in-use compliance, and other surveillance data.

Much of this data is now out of date, and more recent data would be very helpful. If we provide an exact list, could we receive the information as early as it is convenient?

Specifically, we would like to receive the following:

Question: The latest certification data for light and heavy-heavy-duty vehicles, including motorcycles;

Answer: Federal Certification Test Results for the 1987 Model Year are being provided in separate tables.

Question: A listing of all vehicles recalled (whether voluntary, mandatory, or otherwise) during the last five years for emissions reasons, together with an indication of why the vehicles were recalled, what corrective actions were taken, and what percentage of the recalled units were actually returned for repair;

Answer: A listing of all vehicles recalled during the last five years for emission purposes including an indication of why the vehicles were recalled, the corrective action taken and the response rate to the recalls is provided as Attachment 1.

Question: Surveillance data from both the recall and emissions factors program;

Answer: Surveillance data from the recall program is being provided on a disc in Lotus 123.

MOTOR VEHICLE PROGRAM DATA

Question: A list of all heavy duty vehicles tested for purposes of in-use compliance, together with data on the results.

Answer: No vehicles have been tested specifically for the recall program. The following heavy-duty engine and heavy light-duty truck calibrations were tested in the Selective Enforcement Auditing program in the 1986 and 1987 model years:

HEAVY-DUTY ENGINES

Model Year	Manufacturer	Engine Family	Engine Code
1986	Ford Motor Company	GFM07.5AGE3	6-98J-R15
	General Motors Corporation	GGM05.7AGA4 GGM07.4AGA4	1 3
	International Harvester	GHC06.9DAAF	1
1987	Chrysler Corporation	HCC05.9ARZ1	ZB-9
	Ford Motor Company	HFM07.5BTA4	7-98A-R00
	General Motors Corporation	HGM06.2DAB9	1

MOTOR VEHICLE PROGRAM DATA

HEAVY LIGHT-DUTY TRUCKS

Model Year	Manufacturer	Engine Family	Engine Code
1987	Chrysler Corporation	HCR5.9T4BBR6	A-2
	Ford Motor Company	HFM4.9T5HGH3	7-71J-R00
	General Motors Corporation	HGC5.7T5HABY HGC7.4T5HAB2	2 2

The individual engine or truck test results are not available on disk. Hard copies of the test results are attached.

Question: If possible, we would appreciate receiving this information, as in the past, on disk suitable for computer use.

Answer: Test data have been provided on disk, where available, as indicated above.

CONVERSIONS TO METHANOL

Question: Mr. Thomas, at several points in the budget, reference is made to increased funding for the purpose of supporting conversions to methanol. There is increased money in research and development, in the automotive program, and even reference to converting stationary sources to methanol.

The carbon dioxide emissions from cars fueled with coal-derived methanol are double those of cars fueled with gasoline. Converting the entire United States fleet to coal-derived methanol would be the CO2 equivalent to rebuilding every powerplant in the United States, but without generating one extra kilowatt of electricity.

On the other hand this budget also contains funding for studies of policy options for dealing with climate change.

My question is whether the various studies of methanol will squarely confront some of these difficult questions and, specifically, whether you are examining the possibility of establishing a standard--based on technology or otherwise--for carbon dioxide?

Answer: The carbon dioxide emissions issue of methanol usage is already under investigation and will most certainly be addressed in any EPA study of the overall benefits and costs of methanol usage. We specifically plan to investigate the potential for removing and converting the carbon dioxide generated when producing methanol from coal, since the carbon dioxide is in a very concentrated form. This is in contrast to the great majority of carbon dioxide emissions, where the carbon dioxide represents less than 20 percent of the emissions by volume and is not amenable to removal.

I would also like to note that methanol need not be produced solely from coal. Methanol from natural gas (remote or domestic) can actually reduce carbon dioxide emissions relative to gasoline. Also, comparing methanol from coal to gasoline from crude oil may not be a fair comparison, since our nation may not have the luxury to burn foreign crude oil forever. If our coal resources have to be used, converting it to methanol is likely the best environmental and economic alternative.

Overall, we believe methanol promises a number of environmental advantages over current fuels, such as lower particulate emissions and lower resultant ozone formation. Quantification of these benefits requires research and demonstration programs such as those in which EPA is involved.

With respect to standards for carbon dioxide, EPA's analysis is not yet to the stage where we are confident of the quantitative global climatic effects of carbon dioxide and other emissions.

As you know, any sizable reduction in carbon dioxide emissions will require drastic changes in nearly every aspect of the daily life of Americans. Such consequences require a thorough understanding of the problem and the tradeoffs involved prior to the consideration of standards. Thus, we do not foresee considering such standards until much more is known about this problem. Also, since the carbon dioxide emission issue is a global issue, any control program should involve as much global consistency as possible.

Questions Submitted for the Record by Senator Chafee

ALLOCATION OF UNDERGROUND TANK FUNDS

Question: Mr. Thomas, the last time EPA distributed underground tank funds to the states there was some controversy about the allocation method being used. For that first shot of money, EPA used a formula approach based on gasoline sales, miles traveled, and the like, instead of using a "readiness-to-proceed and need test." How are you proposing to allocate the underground tank funds this time?

Answer: We have developed a three-part allocation process: first, a base allocation; second, a relative-need portion; and third, a readiness-to-proceed portion. The measures for determining relative need and readiness-to-proceed will change as the program matures but the overall concept is expected to remain the same.

This approach has been used in allocating 1988 funds and will also be used in 1989. In 1989, relative need will be measured on number of petroleum tanks, relative dependence on groundwater and gasoline consumption. Readiness-to-proceed will be addressed through the use of a bonus pool which will be allocated later in the year based on States' cleanup performance to date.

CONGRESSIONAL ADD-ONS

Question: On page 9 of your statement, you refer to the problem created by Congressional add-ons. Would you supply for the record a list of the objectionable add-ons that were enacted as part of the 1988 appropriations?

Answer: As I indicated in my statement to the Committee on March 2, many of the Congressional add-ons in FY 1988 were directed toward specific local concerns that were not consistent with National environmental priorities. I would like to clarify the problems that I see with these specific local add-ons.

As an example, last year when we submitted our budget request to Congress, it contained a request of $515 million for the EPA's Abatement, Control and Compliance (AC&C) account. After deliberations on the appropriations bill, Congress added $101 million to this request and directed that the additional funds be used to address specific programmatic concerns. Then, Congress also enacted a $10 million general reduction to the AC&C account. This $10 million general reduction could not be taken from the Congressionally directed add-ons. As a result, we have had to substantially restructure funding for our original $515 million programs in order to accommodate the general reduction.

HAZARDOUS WASTE FACILITIES

Question: What is EPA doing to implement the Superfund amendment on siting of new hazardous waste facilities?

Answer: Section 104(k) of the Superfund Amendments and Reauthorization Act (SARA) requires States to provide appropriate assurances that they have adequate treatment and disposal capacity for all hazardous wastes expected to be generated during the next twenty years. We are currently developing a process for capacity assurance that will provide States with adequate lead time to develop assurances, and will provide reasonable standards for evaluating those assurances.

The approach we are taking to implement SARA Section 104(k) has been designed to maximize direct participation by States. This past summer we issued a grant to the National Governors Association (NGA) to develop State recommendations on what constitutes an "appropriate" State capacity assurance. The NGA has since established a series of four workgroups, each consisting of from fifteen to twenty State representatives, to develop State recommendations. The NGA workgroups will address the following critical issues pertaining to State capacity assurances: data, waste minimization, interstate issues, and State plans. Workgroup meetings are open to other interested parties, including industry, environmental groups, and local officials. Several of these groups are expected to play an active role in the workgroups.

The final product of the NGA project, due in the fall of 1988, will be a report to EPA on what the States believe constitutes an appropriate SARA Section 104(k) State capacity assurance. The NGA findings will be used in promulgating a guidance document by the end of 1988. This will give the States approximately ten to eleven months to implement the guidance by the October 1989 statutory deadline.

While our final guidance document will not be available to States until the end of 1988, many States are already beginning to develop capacity assurances. A total of 38 States are participating in the NGA workgroups. In addition to workgroup members, each Governor has identified a lead contact for the State capacity assurance project. NGA staff will be keeping each workgroup member and State lead contact apprised of the progress of the workgroups through regular meeting reports.

Question: What is your prognosis? Will most States meet the November 1989 deadline?

Answer: Given the steps that have been taken to provide for capacity assurances that can be developed by States, EPA has no indication that States will not be able to meet the October 1989 deadline. In a recent letter to all Governors, the types of issues that States will likely have to address in order to make adequate capacity assurances were outlined in broad terms. This letter addressed a general set of principles to guide State efforts to plan for future hazardous waste management capacity. A copy of that letter is enclosed for your information.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JAN 5 1988

OFFICE OF
SOLID WASTE AND EMERGENCY RESPONSE

The Honorable Joseph Ada
Governor of Guam
Agana, Guam 96910

Dear Governor Ada:

Last April, EPA Administrator Lee Thomas notified you of our intentions to implement section 104(c)(9) of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). This provision requires each State, as a condition for receiving Superfund remedial action funds after October of 1989, to "assure the availability of hazardous waste treatment and disposal facilities for all hazardous waste expected to be generated within its borders for the next twenty years."

I am pleased to inform you that we have issued a grant to the National Governors' Association to facilitate the development of a uniform set of State recommendations as to what constitutes an adequate State capacity assurance. Under the terms of the grant, NGA is convening a series of four work groups, consisting primarily of State representatives, to discuss and define four critical elements of State assurances: (1) data requirements; (2) waste minimization; (3) interstate arrangements; and (4) capacity development plans.

In conjunction with its efforts to implement this statutory provision, the Agency has been developing a general set of principles to guide State efforts to plan for future hazardous waste management capacity. Our intent at this time is to use these principles to shape our efforts to encourage the development of state capacity under CERCLA, RCRA, and other Federal laws. Since these principles are likely to guide our implementation of CERCLA Section 104(c)(9) to the extent allowed by that provision, we believe that it is important to set out these principles for you.

In broad outline, we currently envision that a good State program for developing adequate hazardous waste management capacity should be comprised of the following elements:

1. An Understanding of Your Present Hazardous Waste Management System. The state should develop a general understanding of its current hazardous waste treatment, storage, and disposal system. Included would be such items as:

- o The amount, type, and disposition of hazardous waste generated in the state.
- o The amount, type, and disposition of hazardous waste imported into the state.
- o The hazardous waste treatment, storage, and disposal facilities in the state in terms of commercial and onsite categories.

2. Plans for Waste Minimization. This activity would involve a description of plans to minimize (including recycling) the generation of hazardous waste in the state.

3. Statutory or Regulatory Barriers to Hazardous Waste Management. Our current belief is that such barriers, unless tied directly to environmental goals and planning, will not be appropriate. It is likely that we will require environmental justification of any such barriers.

4. The Capacity Determination. The final element is the State's determination that it has assured the necessary facilities to manage its hazardous wastes. This determination should be part of a broader planning process so that it can be updated as necessary. Potential elements of the plan may include:

- o Projection of in-state and imported waste streams;
- o Planned hazardous waste management system;
- o Expected cooperation with other states to effect the necessary treatment and disposal; and
- o Certification that wastes generated will be handled properly.

I believe that the most important, near-term activity on the states' part is Item 1 above. The information developed by this effort is critical to the state capacity assurance under CERCLA, in addition to any other activities EPA and the state may engage in to develop capacity. Therefore, I recommend that you begin work on this item as soon as practicable, so that the necessary assurances can be made by October 1989. Also, we are aware that many states have also done considerable work toward the type of information requested in Item 2, and I would encourage you to build on this data.

We recognize there may be some inherent tension between Item 3 and Item 4 because states may desire to assure adequate in-state capacity by erecting barriers to out-of-state waste. However, our general belief is that such barriers will ultimately create more problems than they will solve, since waste management involves considerable interstate activity.

In closing, I realize that the issues discussed herein are preliminary and general. However, I have three reasons for presenting these concepts now: (1) to obtain State feedback on our early thinking regarding capacity assurances, (2) to encourage dialogue between states which share disposal capacity today or may need to in the future, and (3) to suggest that states begin, or continue, basic planning since the October 1989 deadline is not far away.

I hope this letter is useful in providing a general sense of direction for this important program. I am interested in your comments on any of the points raised. Tom Devine, (202) 475-8716, on my staff is also available to interact with your staff on these issues.

Thanks very much for your assistance.

Sincerely,

Win Porter

J. Winston Porter
Assistant Administrator

OVERVIEW OF DATA SYSTEM FOR STATE CAPACITY ASSURANCE PROJECT

Universe of Data: Generation = RCRA Waste Reported in Biennial Report + Superfund On-Site Waste
Capacity = RCRA Process Units Reported in Biennial Report + Superfund Mobile Treatment
(adjusted for capacity used by non-listed/State-listed wastes)

CURRENT SYSTEM

Current Generation/Demand

(By RCRA Waste Code)

ON-SITE	OFF-SITE (Manifested)
Stable	Captive: In-State vs. Out-State
Changable	Commercial: In-State vs. Out-State

TREATABILITY ANALYSIS

Current Capacity/Supply

(By four main categories: incineration, treatment, recycling, land disposal)

ON-SITE	OFF-SITE (Manifested)
Stable	Captive: In-State vs. Out-State
Changable	Commercial: In-State vs. Out-State

FUTURE SYSTEM

Future Generation (Above Format)

Current Generation x Projection Model:

(Projection Model =
industrial growth factor
waste minimization factor
regulatory change factor
Superfund waste factor, etc.)

Future Capacity (Above Format)

All Data from Biennial Report/TSDR

Current Capacity
Future Capacity

OZONE DEPLETION AND GLOBAL CLIMATE CHANGE

Question: Given the seriousness of these problems, shouldn't EPA be spending more than $18 million in this area?

Answer: These programs have grown dramatically from a base of near zero in the early 1980s and are now substantial programs. This growth has occurred for several reasons. First, ozone depletion and climate change are difficult policy issues requiring nontraditional solutions. Second, both issues are international in scope and rest on extremely complicated scientific foundations. EPA is committed to continuing to play a leadership role both as part of the interagency effort in this country and through various international organizations abroad.

Question: In view of the importance of, and the link between, global climate change and protection of the ozone layer, shouldn't the Agency be considering a reorganization to create a new, separate office dedicated to global atmospheric issues?

Answer: EPA's efforts are now divided between the Office of Policy, Planning and Evaluation which has the lead on global climate, the Office of Air and Radiation which has the lead on stratospheric ozone, and the Office of Research and Development which provides research support to both programs. These activities are closely coordinated at the staff level and joint efforts are undertaken where overlap occurs. We will continue to monitor this organizational structure, but have not encountered problems to date that would justify the creation of a separate office.

Question: Does any of the money requested for implementation of the Clean Air Act reflect a committment to focus on the control of greenhouse gas emissions such as NO2, methane, CO or CO2?

Answer: As part of the report being prepared for the Senate on possible actions to stablilize greenhouse gas emissions, we will be examining possible actions to reduce emissions for each of these gases. Based on the findings of this preliminary effort, we intend to direct resources into those areas where the greatest potential exists.

OZONE DEPLETION AND GLOBAL CLIMATE CHANGE

Question: I am pleased to see that you are proposing to spend more money on the problems of ozone depletion and global climate change. However, I am not sure I agree that the bulk of funds should go to R and D as opposed to your air or policy offices. Similarly, there seems to be more of an emphasis on ozone depletion than there is on climate change. Could you supply a detailed breakdown of funds going to the various offices for both ozone and climate change work?

Answer: The attached table details resources for both stratospheric ozone depletion and global climate change by office. In light of the scope of these environmental problems, the scientific uncertainties surrounding their causes and effects, and the potential ramifications of possible controls, we believe that a significant Research and Development investment is necessary. This R&D investment will ensure that adequate data is available for scientific assessments which EPA must complete within the next several years. This commitment is shown by the increase in efforts by the Office of Research and Development (ORD) to understand the human health and environmental effects of stratospheric ozone depletion. The ORD resources will be used to conduct research in several areas including the effects of increased exposure to Ultra-Violet-B (UV-B) radiation on the human immune system and aquatic/terrestrial ecosystems, and the effects of increased UV-B on other tropospheric pollutants. While this research will be closely coordinated with the Office of Air and Radiation, it properly belongs in ORD. An increase also occurs in the ORD global climate change program. Global change research will concentrate on developing methods to estimate changes in sensitive ecosystems.

RESOURCES FOR STRATOSPHERIC OZONE PROTECTION AND CLIMATE CHANGE
($ IN THOUSANDS)

	FY 87 (Actual)	FY 88 (Current)	FY 89 (President's Budget)
OAR			
Ozone	3,000.0** 5.5 FTE*	3,200.0 7 FTE	3,000.0 7 FTE
Climate	48.0 1 FTE	0 0	0 0
OPPE			
Ozone	469.6 1 FTE	50.0 .2 FTE	50.0 .2 FTE
Climate	2,723.0 7 FTE	1,900.0 7 FTE	2,100.0 7 FTE
ORD			
Ozone	1,018.7 1 FTE	1,162.7 3 FTE	8,000.0 10 FTE
Climate	903.3 1.4 FTE	2,484.0 4 FTE	2,975.0 4 FTE

* FTE: Workyears
**EXT $: Funds for grants, contracts and interagency agreements

OZONE DEPLETION AND GLOBAL CLIMATE CHANGE

Question: Does the budget request for ozone depletion reflect the need to analyze new data from Antarctica, participate in scientific assessments such as that being held in Snowmass next May, and the likely need to revise the proposed regulations to address the new data? Is it realistic to expect this work to be done with only $3.2 million?

Answer: The proposed budget for OAR of $3.4 million (total dollars) should provide adequate resources to implement the domestic requirements of the Montreal Protocol and, along with the Office of Research and Development's $8.6 million budget, should provide adequate support for continued U.S. leadership in the assessment and review process called for by the Protocol. If changes to our regulations are necessary because of new data from Antarctica or other analyses, we will review the adequacy of the budget to respond to new priorities.

Additional atmospheric research data, which complements our efforts, is being developed by both NASA and NOAA. Findings from their efforts enhance knowledge and provide extensive data base information on stratospheric ozone depletion effects. NASA and NOAA primarily concentrate on satellite monitoring of ecosystems and on improving general circulation models. We routinely send them draft EPA reports for review. Those reports are modified to reflect comments received. We also actively solicit joint participation through such groups as the Interagency Committee on Stratospheric Ozone Protection which was created by the Clean Air Act.

Questions Submitted for the Record by Senator Pressler

EPA FUNDING REQUEST

Question: If you were going to fully fund all authorized studies, requirements and other programs how much money would EPA have to request?

Answer: Funding levels established in authorizing legislation often exceed the amounts necessary, as determined through the appropriations process, to fully fund the authorized programs. For example, for 1988 Congress authorized a $405 million program under the Clean Water Act but only appropriated $261 million, which is sufficient to carry out the statutory requirements of the Act.

EPA's budget adequately addresses statutory responsibilities. The Agency's request for 1989 will continue to provide the necessary resources to fulfill our statutory mandates.

IMPACT OF CLEAN AIR ACT LEGISLATION ON BUDGET

Question: In your view what would happen to your budget request for FY 1990 if the clean air legislation reported by this committee last fall is enacted into law and no additional funding is provided?

Answer: Preparation of the Agency's FY 1990 budget is scheduled to begin shortly. However, the Agency can't include funds in its budget for pending legislation. If Clean Air legislation is enacted, then specific resource needs will be carefully evaluated. Meanwhile, the Agency is now working on general cost estimates that may be of some assistance to the Committee in determining authorization levels.

Question: Would you have to provide less funding for other programs to meet new requirements? What other options would we have?

Answer: It is difficult for EPA to discuss specific funding needs until after the legislation is enacted.

ASBESTOS-IN-SCHOOLS FUNDING

Question: Several schools in my home state of South Dakota have contacted me regarding the asbestos program. They are concerned about the upcoming deadline and funding for the program. Under your proposal there is no funding requested for the program. What would you tell these small rural school districts in response to their questions?

Answer: The deadlines for inspections and development of management plans established in the Asbestos Hazard Emergency Response Act of 1986 (AHERA) cannot be modified without Congressional action.

The 1989 budget request includes $3.3 million to monitor State responsibilities and provide technical and financial assistance to school districts in complying with AHERA requirements.

The EPA has awarded significant amounts of Federal funds to assist needy school districts across the nation with their asbestos problems under Asbestos School Hazard Abatement Act (ASHAA) and with the requirements of AHERA.

- To date we have made grants and loans totalling $156.8 million to over 640 school districts to perform more than 1700 abatement projects in at least 1200 school buildings.
- In October of 1987, EPA awarded $5 million in grants to 12 States to assist their public and private school districts with their costs of performing inspections and developing management plans under AHERA. In April of this year, as much as an additional $15 million will be awarded for this purpose. We anticipate making awards to as many as 20 States in April.

FUNDING PRIORITIES

Questions: If funding for EPA were to be increased what programs would you place first in a priority listing?

Answer: My FY 1989 budget has established several priority program areas. These include the new Clean Water Act requirements, ozone attainment strategy, solutions to stratospheric ozone depletion, solid waste, radon, pesticides disposal, state development of Leaking Underground Storage Tank programs and risk assessment. Each of these are high priority programs within the Agency's 1989 Request. While I believe that EPA's request provides adequate funding for these activities, I would focus resource increases in these program areas.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
WATER

Honorable Daniel P. Mcynihan
Committee on Environment and
  Public Works
United States Senate
Washington, D.C. 20510

Dear Senator Moynihan:

Thank you for your letter of March 2, 1988, and your interest in the questions posed by Dan Barolo and the Association of State and Interstate Water Pollution Control Administrators (ASIWPCA) concerning the implementation of the State revolving fund program.

In response to your request, I am enclosing a copy of the letter which the Agency sent to Mr. Barolo and ASIWPCA. We provided answers to all of the questions except for one question (number 6). The answer to the last question will require further review within the Agency and will follow shortly. We will send you a copy of our further response.

Again, I appreciate your interest in the Agency's activities to implement the Water Quality Act of 1987. If you would like to discuss this issue further, please feel free to contact me or Michael J. Quigley, Director, Office of Municipal Pollution Control at 382-5850.

Sincerely,

Rebecca W. Hanmer
Acting Assistant Administrator
  for Water

Enclosure

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF MUNICIPAL POLLUTION CONTROL

APR 1 1988

Daniel Barolo, Director
Division of Water
New York State Department of Environmental Conservation
50 Wolf Road
Room 306
Albany, New York 12233

Dear Mr. Barolo:

Thank you for your February 26, 1988 letter in which you posed a number of questions regarding the Agency's plans for implementing the new capitalization grant program created by Title VI of the Clean Water Act. In the interest of expediency, I am providing answers to all of your questions except for one question (number 6). The answer to the last question will require further review within the Agency and will follow shortly.

In addition, I noted two other questions during the February 8 meeting of the Association of State and Interstate Water Pollution Control Administrators (ASIWPCA). These are answered at the end of the attached pages.

I hope that the questions and answers on the attached pages will be useful to ASIWPCA and to you in your role as Chairman of the Association's Municipal Financing Task Force.

Sincerely,

Michael J. Quigley, Director
Office of Municipal Pollution Control

GENERAL POINTS;

* For which legislative provisions does USEPA think it needs formal regulations? What is the Agency's regulatory adoption schedule? What formal or informal role can ASIWPCA and the States play in any regulatory development?

ANSWER: The Agency will be developing a limited set of regulations to provide binding interpretations of particularly complex provisions in Title VI, for example, the ''first use'' requirement of section 602(b)(6), and to establish program requirements that the Agency will impose pursuant to the Administrator's discretionary authority of section 602(a), such as the requirement for environmental reviews of all SRF assistance to section 212 POTWs. These interpretations and program requirements have all been addressed in the Initial Guidance.

The topics that the workgroup intends to address in regulations are:

1. calculation of State set-asides when Title II funds are transferred for Title VI purposes;

2. the requirement for States to certify that sufficient administrative funds will be available for state administration of the construction grant program before there is a transfer of these funds for Title VI purposes;

3. documentation and certification that must be submitted by the State to demonstrate that an SRF has been established and complies with Title VI;

4. making payments under the letter-of-credit method in terms of each authorized form of assistance;

5. defining the category of projects eligible for refinancing as those that incur and initiate construction after March 7, 1985;

6. requirements that will attach to refinanced projects;

7. allowing loan interest repayments to be used to retire bonds issued for State match purposes;

8. defining the types of projects and sources of funds that apply to the first use requirement; and

9. defining environmental review requirements which apply to treatment works supported with funds directly made available by the capitalization grant and other monies in the fund.

Regulation development is planned to proceed according to the following schedule:

ACTIVITY	DATE (1988)
Regulation Development Plan approved by Steering Committee	March 30
Workgroup deliberations begin	March 28
Regulation package completed	September 9
Publication of Interim Final Rule	September 30

Publication of the rule in interim final form will allow States and other interested parties an opportunity to comment. It will also afford the Agency with time to analyze comments and acquire experience before the rule is amended and issued as final.

* When will USEPA headquarters delegate authority for approving capitalization loan agreements to Regional Offices? Should States proceed as if the delegation were now in place? If not, what procedures apply? How much time will USEPA take before notifying States of a submittal's adequacy under the Act?

ANSWER: Interim delegation of authority to the Regional Administrators to approve SRF capitalization grants was signed on March 29, 1988. States should submit applications for a capitalization grant to their Regional Offices.

With regard to the time the Agency will take for reviewing and approving applications, EPA will give the highest priority to awarding capitalization grants as quickly as possible. As indicated in the response to QUESTION #1, the application review and approval process is being managed by the Regional Offices with Headquarters participation in certain specific instances. The length of the review obviously will vary with each State application. Some negotiations or additional information may be requested following the initial review. We would expect that grant award can be made within 45 days from the time the completed final application is received by the Regional Office.

* Will there be additional guidance?

ANSWER: No decision has yet been made about whether to issue an update to the SRF Initial Guidance document. EPA will monitor implementation of the SRF program under the Initial Guidance during the next six to twelve months and decide whether such an update is necessary. EPA does plan to issue an SRF Management Manual which will include a model intended use plan, model capitalization grant agreement, and model annual report as well as more detailed information on certain aspects of the program. Refer also to the response to QUESTION #11.

SPECIFIC QUESTIONS:

QUESTION #1: It appears that, at least in the initial group of capitalization grant applications, there will be multiple levels of USEPA review (headquarters, consultants and Regions). Because States feel strongly that they should be significantly involved in the review process, please clarify the role of each group and the procedures that will be followed in the review and approval process. How will inconsistencies be handled?

ANSWER: EPA Regional Offices will have the responsibility for the review and approval of capitalization grant applications. EPA Headquarters will have a concurrence role for the following: (a) the first State capitalization grant award in each Region; (b) all cases in which the State requests an exception to cash draw procedures related to particularly aggressive leveraging proposals or other cases which would involve the draw of cash at a more accelerated rate than specified in the initial SRF guidance; and (c) all grants where the State Revolving Fund will be used to generate the State match.

As indicated in the response to the second general point, States should submit applications for a capitalization grant to their Regional Office. The Regional Office will send a copy of selected grant applications to Headquarters for a concurrent review. Comments will be coordinated among Headquarters offices and provided to the Regions in a manner that will not delay Regional review schedules. Both the Regional and Headquarters Offices will have available to them consultants to assist in the review of grant applications, particularly as related to financial issues.

With regard to inconsistencies, EPA's approach to implementing the SRF program has been to promote as much flexibility as possible for each State as it establishes and administers its program. In this regard EPA will not mandate a totally consistent approach for SRF implementation for all States. For those issues where a consistent approach under the law or planned regulations is necessary, EPA Headquarters will provide for such consistency through routine contacts with our Regional Offices and formal annual reviews of Regional Office performance under the Office of Water Accountability System.

QUESTION #2: The States understand that MTAS and other consulting organizations are being engaged by USEPA to assist in its SRF review and oversight responsibilities. Please provide a listing of consultants to be used and the role of each, together with a clarification of the need for such consulting assistance.

ANSWER: The Municipal Technical Advisory Service (MTAS) has a SRF training grant with EPA. The other consulting organizations will provide technical assistance and advice where the issue goes beyond the experience of current program personnel. This assistance will be provided to those involved in SRF program implementation at EPA Headquarters and the 10 EPA Regional offices. Preliminary activities include: phone consultations and/or direct visits by financial advisors and bond counsel to review State legislation, review grant applications, and analyze proposed State financing plans. We are in the process of procurring a new level of effort contract for the same purposes. This contract is expected to be awarded by May 1988.

QUESTION #3: Development of the capitalization grant is complex and time consuming, often requiring State legislative and regulatory changes. What time commitments will USEPA make to negotiate (and renegotiate, if necessary) capitalization grant agreements?

ANSWER: See responses to the second general point and QUESTION #1.

QUESTION #4: The final guidance, on page 30, discusses changes to the operating agreement that ''could affect all capitalization grants'' (emphasis added). Obviously, any retroactive change to prior grants would place loans secured by those grants at jeopardy. Please clarify that any change would affect only future capitalization grants.

ANSWER: Changes made to operating agreements will not jeopardize loans made from prior capitalization grants because changes will not have to be applied retroactively to prior loans. Changes in operating agreements are intended to be applied to future assistance agreements provided by the SRF. States would, however, have the flexibility to apply changes retroactively to prior loan recipients if the State felt such applications would be beneficial.

QUESTION #5: The final guidance indicates, on page 33, that EPA Regional Administrators can ''withhold payments'' to the SRF until the State has taken acceptable actions. It is essential that a clear definition of this phrase be provided. Does ''withhold payments'' mean to withhold a scheduled increased to the ceiling in the Letter of Credit (LOC), or could cash draws on an existing LOC, which are necessary to meet legal project obligations, be withheld?

ANSWER: EPA will not take action to withhold cash draws against payments already made to the SRF. A definition of ''withhold payments'' can be found on page 25 of the Initial Guidance under ''Payment by Letter of Credit.'' The guidance states that ''(O)nce a payment (increase to the LOC ceiling) has been made, EPA will not reduce that ceiling.'' Therefore, cash draws will not be restricted to the extent that increases to the letter-of-credit ceiling have been made.

QUESTION #7: Final guidance specifies "NEPA-like" and "second tier" environmental reviews. Is this statement meant to imply that most existing State environmental review laws and procedures will not be regarded by USEPA as "NEPA-like?" What essential criteria differentiate a ''NEPA-like'' review from other environmental reviews?

ANSWER: Existing State regulations or procedures for environmental reviews developed under Title II delegation will generally meet the "NEPA-like" requirement for equivalency treatment works established by section 602(b)(6), provided they are made specifically applicable to Title VI equivalency treatment works projects. States will need to augment these regulations and procedures to include authorities which were formerly the responsibility of EPA's Regional Administrators under Title II delegation (e.g., the responsibility to undertake all levels of environmental impact analyses, including detailed "EIS-like" analyses, to make final environmental review decisions, and to enforce those decisions) as well as any other activities, authorities, or legal remedies that the State deems appropriate.

The essential difference between the "NEPA-like" process for equivalency treatment works and the "second-tier" environmental review processes for non-equivalency treatment works is the flexibility which the States have in performing an environmental review. "NEPA-like" processes will for the most part approximate the actual NEPA process in terms of the specific elements addressed and the manner in which these elements are evaluated, documented, and reported on. The "second-tier" approach, on the other hand, is not specifically linked to the NEPA process and will give States greater latitude in choosing an adequate format for analysing alternatives, documenting environmental review determinations, and providing for public involvement.

QUESTION #8: In a series of recent "Bond Buyer" articles, the Department of the Treasury and Senate tax experts clearly indicate that State bonds secured in any way by a Federal Letter of Credit (page 26 of final guidance) cannot be sold on a tax-free basis. As you know, the current difference between taxable and tax free bonds [sic] funds runs about 200 to 250 basis points.

With a number of State programs already in place -- several of which are currently issuing State loans -- your solution, as articulated in the February 18, 1988 Bond Buyer, is unworkable in most States (e.g., "problems created by the guarantee will force States to model their programs after the Ohio system even when not suited to their own needs" -- using their own revenue bond funds). How does USEPA intend to resolve this significant problem?

Answer: Despite the reports in the "Bond Buyer," the United States Treasury Department has taken no position regarding the tax status of bonds secured by the SRF Letter of Credit. It is EPA's position that the LOC does not constitute a guarantee by the federal government because cash will flow to the State whether or not a default occurs.

As stated in the Initial Guidance, when the LOC is used as a debt service reserve, the State may draw cash at either the historic, national Title II rate or as construction costs are incurred on projects constructed with the State's bond proceeds, whichever is faster. The LOC is merely a short-term payment mechanism, independent of any debt instrument that transfers grant money to an SRF. Another reason why we believe the LOC is not a federal guarantee is that if the State draws cash in the event of a default the federal government does not obtain the right to recover from the State. The ability to draw cash in a default situation merely allows the State to receive its grant money sooner than it would otherwise. Moreover, under no circumstances may a State's cash draw, even in a default situation, exceed the amount of the capitalization grant. In contrast to traditional federal guarantees, the LOC does not implicate the full faith and credit of the United States. We are currently negotiating this position with the Department of Treasury.

Furthermore, after conversations with bond counsels, financial advisors and bond insurers, we believe that regardless of Treasury's final position regarding tax status, States will be able to fashion effective leveraged SRF's using tax exempt debt. The "Ohio Plan," which uses the repayments from existing loans as security for tax exempt bond issues, is applicable to many of the States that plan to leverage, including those States with programs already in place. In addition to the "Ohio Plan," States can leverage against the State match or against borrowed funds that were deposited into the SRF.

QUESTION #9: The final guidance provides, on page 27, for an exception to [the] LOC payment scheme for "particularly aggressive leveraging proposals." When and how will the Agency define its procedures for qualifying as an aggressive State?

a) Will it be necessary to provide loans at a lower interest rate to qualify as providing "substantially more assistance?"

b) Will a greater total volume of loans executed and projects built qualify?

c) How will cash draw be provided?

d) Will cash provided to the State be placed into the security account (Section 603(d)(4)) at the time of bond sale to enable the State to market tax exempt bonds? If not, when?

Answer: In order for a State to be granted an aggressive leveraging exception it must formally request such an exception at the time of grant application. The request must demonstrate that the requirements of the Payments section (D.4.d.) have been met. We are encouraging States that are contemplating requesting an exception to make their intentions known to the Region and to meet with EPA Headquarters informally well in advance of the submission of the final application. At that time the particulars of the States's SRF plans can be discussed and if after this preliminary meeting the State appears to have a reasonable chance of being granted the exception, EPA will advise the State as to what must be contained in the formal request.

The following are responses to your specific questions:

a) Since the exception test will look at the entire SRF and its need for accelerated cash there are no specific preconditions such as offering reduced interest rates on loans.

b) The request must demonstrate that in addition to the other requirements listed in the guidance that accelerated cash will provide substantially more assistance. EPA would be particularly concerned with the magnitude of increased dollar value of assistance provided and construction completed that would be provided if cash were provided on an accelerated basis versus what would be provided under ordinary cash draw rules.

c) The cash draw schedule will be negotiated as part of the exception review request depending on the specific requirements of the State's plan. The cash will be provided through the letter of credit in the same manner as all other title VI funds.

d) Once the State draws cash from the LOC the guidance does not require that the funds be placed in a separate security account. The agreement under which the State sold bonds will often require that the State place and maintain certain funds in specific accounts such as a security account.

QUESTION #10: Can States use the LOC to negotiate a loan from a bank to make construction loans immediately? If not, how does USEPA intend to prevent interim financing, which it claims is its "policy intent"?

Answer: The Act says that the SRF may be used as a source of revenue or security for the payment of principal and interest on interest on revenue or general obligations bonds. Other State debt instruments such as a bank loan cannot be secured by the SRF. Interim financing will not be required, however, because cash can be drawn from the LOC within a day of the State's request. Loans can be made to municipalities as soon as the grant is awarded and cash draws can be made as soon as construction related costs are incurred, but before they are actually paid. Cash can be available to loan recipients before the invoices for construction related cost are due. Thus, loan recipients should not experience a situation where they need cash to pay a construction related cost and the LOC is not immediately responsive to this need.

QUESTION #11: It is our understanding that the Agency is developing a package of additional guidance and policy documents for the SRF. Please name these documents.

ANSWER: The operating guidance for the program is contained in the Initial Guidance document published in January. We are also developing additional "reference" materials which complement the Initial Guidance and will facilitate implementation of the SRF program. The following is a list of these additional reference materials:

- Questions and answers to issues not specifically addressed in Initial Guidance and/or arising during the course of implementing the program (an ongoing process),

- SRF Management Manual/Models
  - o Model Grant Application/Agreement
  - o Model Operating Agreement
  - o Model Intended Use Plan
  - o Model Annual Report
  - o Information Management Procedures
  - o Annual Review Guide
  - o Annual Audit Guide

QUESTION #12: Has the LOC concept changed in any way since the guidance was written? Please describe any changes. Please indicate how cash will actually flow through the system, and how ceiling increases will be handled.

Answer: The LOC concept has not changed since the Initial Guidance was written.

As described in Appendix E, the Letter of Credit - Treasury Financial Communications System (TFCS) has been in operation throughout the Federal government, including EPA, for many years. Basically, the concept allows recipients of Federal grant (and contract) awards to request and receive funds for fulfilling the purpose of the awards -- as costs are incurred in carrying out that purpose -- directly from a State bank approved by the U.S. Department of the Treasury, without the awarding Agency having to validate the legitimacy of the request.

When a capitalization grant is made to a State, a Letter of Credit is established in that State's bank. As a municipality assisted by the SRF (or, in some instances of leveraging, an SRF itself), incurs costs, it submits a request to the State for reimbursement of those costs. Upon approving the request, the TFCS Form 5805, (provided by EPA) for the Federal proportion, (generally, 100/120 or 83.3%), or the cost incurred. Using the Fedwire system, the bank submits the request to Treasury which, within 24 hours, will deposit the requested amount in the State bank's SRF account -providing the requested amount does not exceed the cumulative amount available for withdrawal at the time of the request, as set forth in the Payment Schedule of the State's grant agreement.

QUESTION #13: Has the leveraging concept, as defined on Page 26 of guidance, changed in any way? Please describe any changes. The Agency seems to be saying that leveraging now includes the "Ohio" system of using prepayment [sic] streams, while the Page 26 definition appears to preclude this approach.

Answer: The definition of leveraging in the Payment section is there for the purpose of specifying the payment and cash draw rules for the LOC. It was not intended to limit the State's flexibility in structuring a leveraged SRF. Nothing in the guidance prohibits using loan repayment streams as security for revenue bonds nor does the guidance specifically prohibit any type of leveraging scheme, including the "Ohio Plan". We did not include the "Ohio Plan" as a leveraging approach that would justify increased cash draws because the additional projects that could be started with the proceeds of leveraging were not as a result of the use of the LOC.

QUESTION #14: How will changes and corrections to the guidance be made? Will States have an opportunity to comment?

ANSWER: States will have an opportunity to comment before any revisions to the Initial Guidance are issued. We do not presently have a firm schedule for any revisions to the Initial Guidance; issuance of such "Final Guidance" would be geared to the rate at which we are gaining experience in implementing the program.

QUESTION #15: How can the LOC be considered the "equivalent of cash" when at least two uses of the SRF (leveraging as the guidance defines it and guaranteeing local debt issues) are made impractical, because the LOC is a Federal guarantee of tax exempt debt - thereby making it taxable?

Answer: As explained in the response to QUESTION #8, we believe that there are a number of valid reasons why the LOC does not constitute a federal guarantee and we are currently negotiating this position with the Department of Treasury. Please refer to the response to that question for a more complete discussion of this issue.

QUESTIONS NOTED DURING FEBRUARY 8 ASIWPCA MEETING

o Will EPA develop a process for responding to questions that will ensure timeliness and consistency?

ANSWER: As noted in response to QUESTION #11, the Agency has developed a formal process for handling the many questions we expect to receive on the new program. The purpose of the Question and Answer process is to provide a greater level of detail on key issues addressed in the Initial Guidance. A formal Question and Answer process will also assure that all questions are answered in a consistent manner and that all program participants benefit from these responses. The main product of this process is the Question and Answer document that will be distributed to the Regions and States to provide additional information on the establishment of SRF programs.

Under this process, all questions received by EPA Headquarters staff will be routed to a central point and retained in a comprehensive question and answer file. We expect that most questions can be answered immediately from existing materials. For those questions that cannot be answered from existing materials, the appropriate individuals within Headquarters will be immediately contacted and a response formulated as quickly as possible. The response will be initially relayed verbally to the questioner as soon as it is developed. Those responses to additional questions which are of general interest will be compiled and periodically distributed as updates to the initial Question and Answer document.

o If a State proposes to make binding commitments which equal 120 percent of the grant within three months of the grant award, will EPA make payments equal to the grant amount within the first quarter?

ANSWER: Yes. This assumes that in negotiation of the payment schedule, the State and the Region agree that the State can achieve its projection that quickly.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

Honorable George J. Mitchell
United States Senate
Washington, D.C. 20510-6175

Dear Senator Mitchell:

This is in response to your letter of April 11, 1988 to Lee Thomas concerning additional follow-up questions you had as a result of the Senate Committee on Environment and Public Works Hearing held on March 2, 1988.

Enclosed you will find the Agency response to 18 of the 20 questions you submitted in your letter. At this time we are unable to provide a response to questions 8 and 10 but anticipate being able to do so as soon as we get clearance from the Office of Management and Budget. I trust the enclosed information will be useful to you.

Should you have any questions, please feel free to contact me at 382-4600. My Budget Director, Alvin Pesachowitz is available to your staff if further follow-up is required. He can be reached at 475-8340.

Sincerely,

Charles L Grizzle Jr
Charles L. Grizzle
Assistant Administrator
for Administration and
Resources Management

Enclosures

RECALL INVESTIGATIONS AND IN-USE VEHICLES

Question: EPA is conducting fewer than half of the recall investigations in FY 89 than it conducted in FY 80. The stated rationale for this decrease is that the Agency has a "higher level of confidence in the manufacturers' ability to meet standards in actual vehicle use and the need to focus on other in-use vehicle issues." Please provide all relevant data to support the Agency's "higher level of confidence" in the manufacturers. Please indicate the basis for such data, e.g., the number of reviews, etc. Please state the "other in-use vehicle" issues on which the agency is concentrating as well as the funding and FTEs for such issues and comparable funding in FY 80.

Answer: EPA's recall investigations have focused on light-duty vehicles (cars) and testing of relatively low mileage light-duty trucks.

Our extensive testing of passenger cars, even at a reduced level of annual investigations, provides us with some confidence that the data gathered generally reflect the extent of vehicle emission compliance.

We do not, however, have an equivalent data base which we can use to evaluate the in-use emission performance of light-duty trucks and heavy-duty engines.

Heavy-duty engines (HDEs) have recently become subject to full useful life compliance requirements and are, and will increasingly be, subject to stricter emission standards.

A similar situation exists with high mileage light-duty trucks (LDTs) that were first required to meet full useful life (11 years, 120,000 miles as compared to 5 years, 50,000 miles) in the 1985 model year. However, EPA has done some testing of LDTs at two to three years with relatively low mileage which suggests emission performance similar to cars.

RESOURCES FOR RECALL

Question: How many FTEs were devoted to recall investigations in FY 1980 and how many are proposed to be devoted in FY 1989?

Answer: FTEs devoted to recall investigations in FY 1980 are estimated at 25 and in FY 1989 they are 25.6.

CERTIFICATION ON AN AUDIT BASIS

Question: When did EPA decide to assure manufacturers' compliance with certification on an audit basis? How many FTEs were assigned this responsibility in FY 80 vs. FY 89? How many actual audits did EPA conduct in FY 80 vs. FY 88? How many "discrepancies" were found in audits in FY 80 and FY 88? How many audits were conducted in FY 80 and FY 88?

Answer: The audit process evolved over a period of years beginning in the late 1970's. The "Abbreviated Certification Review" process was first implemented on a pilot basis in 1980. Full changeover to this process was essentially complete by 1981 with the formal publication of the alternative certification procedures in the regulations (40 CFR 86.080-12).

In FY 80, Certification Division's FTE allocation was approximately 65. Depending upon how one allocates certain overhead type positions, including management, clerical, budget analysis, and computer programming, between 48 and 53 of the FTE were for certification review, including development of compliance procedures and regulations. In FY 89, the Certification Division's FTE allocation is 33.6. The allocation for the certification program is 23.6. The Certification Division's confirmatory testing, which is EPA's most important auditing tool, has remained essentially constant at 1000 test per year since FY 80.

Auditing is a continuous function in the certification review process. Auditing is probably more appropriately termed "spot checking" in this context. For each engine family certified, a minimum of several items are audited or spot checked. Certification personnel spot check the results of the manufacturer's programs under the abbreviated certification review process. Certain items are always checked, such as compliance with the standards, and other items are subject to random or selective auditing, such as the test vehicle selection. The selection of a vehicle to be confirmatory tested at EPA is part of the audit process. With each engine family being audited, over 500 certificate audits are performed annually. Since 1980, EPA has also conducted about 1000 emission tests (we also measure fuel economy) each year as an audit of the manufacturer's test data.

CAFE EVALUATIONS

Question: What data supports the Agency's decision not to perform any preliminary CAFE evaluations? Why is it not reasonable to conclude that a 25 percent decrease in CAFE calculations review would have a potential, it not actual, increased risk in inaccurate calculations resulting in lower gas mileage?

Answer: Preliminary CAFE calculations were originally instituted at the request of the manufacturers so that almost all of the required fuel economy data would be in place early in the model year, allowing manufacturers to adjust sales or make design changes as necessary so as to meet the fuel economy standard by the end of the model year's production. Manufacturers quickly adopted internal tracking procedures more sophisticated than afforded by the preliminary CAFE so the preliminary CAFE usefulness to the industry quickly went away. EPA agreed to drop the preliminary CAFE since dealing with a preliminary calculation as well as a final calculation only meant more work. All test data included in the final CAFE is reviewed anyway and confirmatory tests conducted as necessary. The integrity and accuracy of the final CAFE calculation was not affected by dropping the preliminary CAFE calculation exercise.

Beginning with the 1986 model year (and optionally with the 1985 model year), the CAFE regulations were changed requiring manufacturers to keep track of actual sales trends ending with at least 90 percent actual sales coverage of test data. This improved the assurance that the necessary fuel economy test data was included to allow a consistently accurate CAFE calculation.

Our previous answers may have given the incorrect impression that some (25 percent) CAFEs are not reviewed. We review all CAFEs received. Thus, from our previous answer, there was reduction in the number of CAFEs received and, therefore, the number reviewed. Furthermore, this reduced review of CAFEs does not represent a major source of resource reduction. The audit of CAFE calculations is largely a computer automated function. Not more than 2 FTE was expended on this function in FY 80, and this has been reduced by not more than 1 FTE. The biggest reduction in the fuel economy program can be attributed to reduced rulemaking activity and correspondingly less need to continue to update computer programs. The remaining reductions are attributable to increased efficiencies of computer usage in our day-to-day data review and to less time spent resolving disputes with manufacturers as a result of loophole closing regulations and advisory guidance published and implemented in the 1981 through 1986 time frame.

CAFE REVIEW

Question: One justification for the decreased CAFE review is an increase in compliance activities. Please specify these increases in as much detail as possible. Please also provide justification for concluding that CAFE calculations reviews would need to be decreased in order to increase compliance. What was the trade-off selected?

Answer: We have not decreased CAFE reviews, only eliminated the preliminary calculation, which does not decrease CAFE accuracy or oversight. However, a benefit of eliminating the preliminary CAFE calculation was that resources were freed up to work on compliance issues. Over the past few years we have increased our efforts in certain emission compliance areas such as in searching vehicle designs for defeat devices, and in more closely auditing the certification of independent commercial importers (i.e., the gray market).

FUEL ECONOMY DEVICES

Question: How many requests for fuel economy devices did the Agency receive in FY 88? How many evaluations of these devices did the Agency conduct in FY 88?

Answer: EPA regularly works with fuel economy device manufacturers as they prepare to test their devices at one of the EPA recognized private laboratories. We provide the manufacturers with both verbal and written comments on their test plans. So far in FY 88, EPA has not received a formal application for an EPA evaluation from one of the device manufacturers.

VEHICLES TESTED FOR MOBILE4

Question: In response to my earlier question about the number of vehicles tested for MOBILE4, the Agency provided a cumulative figure. The question, however, was how many vehicles had been tested solely for MOBILE4. Please provide this figure.

Answer: Approximately 950 light-duty automobiles and trucks have been tested by EPA since the last model, MOBILE3, was released. The data from all 950 vehicles will be used in MOBILE4.

ROMNET ACCELERATION

Question: In response to a question on ROMNET, the Agency indicated it would be available in October 1990 and that the real limitation on time was availability of the computer. Is October 1990 still the target date? What is the target date for the modeling? The time frame suggested in the answer is one that is inconsistent with S. 1894. What actions are needed to assure sufficient computer access to make ROMNET available in a more timely manner?

Answer: October 1990 is still the target date for transmitting all information obtained in ROMNET to participating States. Modeling with the updated National Acid Precipitation Assessment Program (NAPAP) emission inventory is scheduled to begin in January 1989. These initial runs are intended to simulate base case observations to make sure the model's performance is adequate. Simulations of control strategies with the model are scheduled to begin in July 1989. Plans call for transmitting results/interpretation of the initial strategy simulations to participating States by the end of 1989. Strategies will be run serially, with results being made available upon reducing and interpreting the output.

Thus, beginning in late 1989, results shall begin to be transmitted to States in installments. Results of earlier strategies will be used by ROMNET participants to design subsequent strategies for simulation. As our earlier answer indicates, much of the delay reflects the need to compile the data base, convert it into a form compatible with the model, run the model on the computer and display and interpret the results in a meaningful way. Much of this delay is therefore caused by preliminary work which must be performed before the model can be used meaningfully. Because of the large modeling domain, the computer requirements and costs associated with running the model, it is likely that the most viable means for using it is to have simulations performed by the EPA on behalf of several States. It is also likely that other, competing regional scale modeling demands (acid deposition, fine particulates/visibility deterioration), in addition to the Regional Scale Oxidant Model, will severely strain existing computer capacity and available expertise. The Agency is currently reviewing its resource needs to support regional scale modeling analyses. Assessments will include computer hardware requirements as well as requirements for highly trained personnel to utilize and interpret results of the model. It should be recognized however, there is little which can be done to accelerate ROMNET appreciably.

RESEARCH ON LONG-TERM HEALTH EFFECTS OF OZONE

Question: In FY 89, how much funding and how many FTEs will be allocated to research on long-term health effects of ozone?

Answer: In FY 89, the Agency is allocating 10 FTE and $2.7 million for research on the long-term health effects of ozone. The chart below provides a breakout of these resources by research area.

FY 89 RESOURCES FOR LONG-TERM OZONE HEALTH EFFECTS
($ in thousands)

	FTE	TOTAL DOLLARS
Epidemiology Studies	2	$535
Animal Studies	6	$950
Clinical Studies	2	$1,215
TOTAL	10	$2,700

HEALTH ASSESSMENTS FOR ALTERNATIVE FUELS

Question: Has NIEHS or any other Federal agency performed any health assessment of the emissions from vehicles using alternative fuels of which EPA is aware?

Answer: EPA is aware of no health assessment for emissions from vehicles using alternative fuels by NIEHS or any other Federal agency. EPA has considered some of these issues in its proposed rulemaking for methanol fueled vehicles. EPA has evaluated public comments for this proposed rulemaking; final rulemaking is under EPA review and should be issued shortly.

EPA is aware that the Health Effects Institute has released a report titled "Automotive Methanol Vapors and Human Health: An Evaluation of Existing Scientific Information and Issues for Future Research." Also, EPA has prepared a draft report titled "Summary Review of Health Effects Associated with Methanol: Health Issue Assessment."

RESEARCH ON A .08 PPM OZONE STANDARD

Question: In FY 89, how much funding and how many FTEs will be allocated to research on the .08 ppm ozone standard.

Answer: In FY 89, the Agency will allocate 5 FTE and $1,025,000 for research on the .08 ppm ozone standard, approximately the same level as FY 88.

HUMAN EXPOSURE CHAMBERS

Question: In research on ozone, will human exposure chambers continue to be used?

Answer: Yes. In FY 89, the Agency plans to conduct human exposure-response relationship studies in volunteers exposed under clinical conditions to 0.08 to 0.12 parts per million ozone for 6.6 hours. Various pulmonary function responses will be measured as well as inflammatory alterations in the upper and lower airways of the subjects.

RESEARCH ON A ONE HOUR SULFUR DIOXIDE STANDARD

Question: In FY 89, how much funding and how many FTE will be used to conduct research on a one hour sulfur dioxide (SO_2) standard?

Answer: The Agency will allocate 1 FTE and $345,000 to research on a one hour SO_2 standard, approximately the same level as FY 88.

RESEARCH ON A SECONDARY OZONE STANDARD

Question: In FY 89, how much funding and how many FTEs will be used to conduct research on a secondary standard for ozone? Please compare with the last five years.

Answer: The following table shows resources for research on a secondary standard for ozone. The National Crop Loss Assessment Network Program (NCLAN) operated from the early 1980s to FY 87. Research on the effects of ozone on forests, which was added to the program in FY 88, will be significantly enhanced in FY 89.

RESOURCES FOR RESEARCH ON A SECONDARY OZONE STANDARD
($ in thousands)

	FY89	FY88	FY87
FTE	14.1	14.1	11.0
TOTAL DOLLARS	$2,224	$2,208	$1,590

	FY 86	FY85	FY84
FTE	12.3	12.3	12.3
TOTAL DOLLARS	$1,946	$1,700	$1,600

ADVERSE HEALTH EFFECTS OF ACID RAIN

Question: In FY 89, how much funding and how many FTEs will be used to conduct research on the adverse health effects of acid rain? Please compare to all previous funding for this activity.

Answer: In FY 89, $17,300 in R&D funds and less than 0.5 FTE will be used to conduct research on the potential adverse, indirect health effects of acidic deposition. The R&D funding level was $230,000 in FY 86 and FY 87 and $198,000 in FY 88. The 0.5 FTE level has remained about level. In other research not specifically under the acid rain program, the Agency is spending approximately $125,000 and one FTE on the health effects of acid aerosols.

SIP PROCESSING

Question: Please provide the Committee with a copy of the report of the Task Group on SIP Processing and indicate how the Agency has responded to or plans to respond to recommendations made in that report.

Answer: A copy of the Task Group Report on SIP Processing is attached.* In response to the recommendations of the Task Group, EPA has established a work group composed of senior staff individuals who are familiar with the procedures for processing SIP revisions. This work group has been charged with the responsibility for implementing the recommendations of the Task Group. As a result of this effort, EPA has issued a memorandum to the Regions on the increased use of "Direct Final" rulemaking for implementation plans that are noncontroversial. Direct final rulemaking takes less time since they avoid the proposal phase of rulemaking by proceeding directly to final action.

In addition, EPA has implemented a policy of reviewing implementation plans immediately upon submission by the State for completeness. These "completeness criteria" are designed to be objectively applied to determine whether the documentation has been submitted that will enable EPA to review the plan for approvability. Where the plan submission fails to meet these criteria, the plan will be returned to the State with an explanation of the deficiencies. The plan will not be returned on the basis of whether EPA believes the plan is approvable. Application of these "completeness criteria" will enhance SIP processing in two ways. First, EPA will not allocate resources to an extensive program review of submissions that do not meet the basic requirements for review. Second, the Regional Offices are distributing these criteria to each State and the States will be better prepared to submit implementation plans that meet the basic criteria for completeness.

Finally, EPA is developing other policies as recommended by the Task Group for (a) grandfathering actions submitted prior to EPA policy changes, (b) delegation of signature authority for certain actions to the Regional Administrators, and (c) improved management of the review process to ensure that the procedures and schedules are followed. These actions will be published in the near future in a notice in the FEDERAL REGISTER.

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*Retained in committee files.

SIP REVISION REVIEWS

Question: In response to an earlier question, the Agency failed to provide an "average" time period for SIP revisions reviews. Please provide this average. If this cannot be produced, please list all SIP revisions requested in the last 5 years and the amount of time needed to take final action on each revision.

Answer: We do not have the information available to fully answer your question in a reasonable time frame. We would need to contact all our Regional Offices and have them search their files for the last 5 years for over 1000 SIP revisions submitted during that period. However, we do have some information that should provide a reasonable picture of the time it has taken to process SIP revisions. First, EPA has a management accountability system which requires the Regional Offices to process 90 percent of all State submissions within 5 months of receipt. During the last several years virtually every Regional Office was able to comply with that requirement, and in many cases approach 100 percent compliance. While we do not have specific data to calculate the average processing time in the Regions, we do maintain such a system for the processing time in Headquarters. Since that system was implemented in September 1981, EPA has processed to publication, both proposal and final actions, approximately 2000 implementation plans. The average time for Headquarters review of these plans is 2.5 months. The average for those actions classified as "major" is 3.5 months, while the average for actions classified as "minor" is 1.5 months. For SIP's that are proposed for public comment before taking final action, the total Headquarters processing time would be double these time periods. EPA is developing an integrated SIP tracking system which will include both Regional Office and headquarters processing schedules and therefore will be able to more accurately assess the total length of time taken to process plan revisions.

SIP REVISION INFORMATION

Question: Please provide an update of any SIP revision requests not provided in previous answers to this question.

Answer: Attached is a current listing of all implementation plan revisions received in EPA headquarters for review since March 1, 1988 which supplements the list we sent you previously. As previously indicated, we do not have information readily available on SIPs that have been submitted to the Regions but not yet submitted to Headquarters.

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SIP REVISIONS RECEIVED BY EPA HEADQUARTER SINCE
03/01/88

STATE	EPA REGION	RECEIVED IN HEADQUARTERS	DESCRIPTION OF SIP ACTION
KS	7	03/01/88	REVISED OZONE PLAN FOR KANSAS PORTION OF KANSAS CITY METROPOLITAN AREA (WILSON/POLGLASE)
FL	4	03/07/88	TRS 111(D) PLAN (WILSON)
TX	6	03/02/88	DISAPPROVAL OF ALTERNATE MEANS OF CONTROL FOR GM-ARLINGTON ASSEMBLY PLANT FOR VOC, GROUP I CTG (JOHNSON)
NC	4	03/10/88	TRS 111(D) PLAN FOR KRAFT-PULP MILLS (MIKE TRUTNA)(CARTER)
DE	3	03/15/88	STACK HEIGHT REGULATION (METSA)(CARTER)
FL	4	03/15/88	REGULATORY REVISIONS TO OPEN BURNING AND FROST PROTECTION FIRES (SMITH)(SCHNEEBERG)
NJ	2	03/21/88	BUBBLE FOR BASF WYANDOTTE CORPORATION SOUTH BRUNSWICK FOR VOC (CREEKMORE)(HOFFMAN)
NJ	2	03/21/88	BUBBLE FOR INMONT CORPORATION BOUND BROOK FOR VOC (CREEKMORE)(HOFFMAN)
NJ	2	03/21/88	BUBBLE FOR BAGCRAFT CORPORATION OF AMERICA FOR VOC (CREEKMORE)(HOFFMAN)
NJ	2	03/17/88	LEAD PLAN FOR UNITED STATES METAL REFINING COMPANY (SMITH)
TN	4	03/17/88	TSP REVISION FOR NASHVILLE AND DAVIDSON COUNTY (SMITH)(CARTER)
PA	3	03/17/88	REDESIGNATION OF BERKS COUNTY FOR OZONE (WILSON)(ROSENBERG)
TN	4	03/21/88	BUBBLE FOR AVCO AEROSTRUCTURES/TEXTRON FOR VOC (CREEKMORE)(HOFFMAN)
LA	6	03/22/88	EXEMPTS FOUR CARBON BLACK PLANTS FROM FURTHER CONTROL OF ACETYLENE EMISSIONS (POLGLASE)
CA	9	03/22/88	DISAPPROVAL FOR THE CONTROL OF VOC FROM GRAPHIC ARTS SOURCES IN THE SCAB (POLGLASE)
NY	2	03/23/88	VARIANCE FROM VOC EMISSION LIMITS FOR A POLYCHROME CORP. LITHOGRAPHIC PLATE MFG. FAC. (POLGLASE)(SCHNEEBERG/ROSENBERG)
AR	6	03/28/88	PLAN FOR THE PROTECTION OF VISIBILITY IN CLASS I AREAS (DUNKINS)(FOOTE)
TX	6	04/01/88	LEAD PLAN FOR EL PASO COUNTY (SMITH)(REINDERS)
NY	2	04/01/88	APPROVAL & PARTIAL APPROVAL OF VOC REGS (GRAPHIC ARTS, VARIANCES, SURFACE COATING PROCESSES, ETC.(POLGLASE)
MO	7	04/04/88	REDUCTION OF VOC IN THEJ KANSAS CITY OZONE NA AREA (WILSON)
CA	9	04/05/88	15 REGS TO CONTROL VOC EMISSIONS FOR 6 DISTRICTS. BAAQMD.MBUAPCD.SCAPCD.SDCAPCD.SCAQMD & TCAPCD (POLGLASE)

FISCAL YEAR 1989 BUDGET REVIEW

NUCLEAR REGULATORY COMMISSION

WEDNESDAY, MARCH 2, 1988

U.S. Senate,
Committee on Environment and Public Works,
Washington, DC.

The committee met, pursuant to notice, at 2:08 p.m., in room 406, Dirksen Senate Office Building, Hon. Quentin N. Burdick (chairman of the committee) presiding.

Present: Senators Burdick, Breaux, Mikulski, Reid, Simpson, Warner, and Pressler.

OPENING STATEMENT OF HON. QUENTIN N. BURDICK, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator **Burdick**. Good afternoon. The Committee on Environment and Public Works is meeting today to receive testimony from the Nuclear Regulatory Commission on its budget request for fiscal year 1989. I welcome the five Commissioners to our hearing.

The information obtained from this hearing will help the committee to make its recommendation to the Budget Committee on spending levels for fiscal year 1989. It will also help the committee to set the appropriate authorization levels in the NRC reauthorization bill. The full committee is scheduled to consider the reauthorization bill shortly.

The Commission has requested a budget of $450 million for fiscal year 1989. This is a substantial increase from the level requested for 1988. It also is a substantial increase in the level appropriated for fiscal year 1988. I hope the Commission will address why it has requested this increase.

The amount appropriated to the Commission for 1988 was $35 million less than was requested. The committee is interested in the effect that this drastic cut will have on the Commission's operations and its ability to protect the public health and safety, which programs have been cut as a result but initiatives have been postponed. I hope the Commission will go into some detail on this issue.

The committee also is concerned about the NRC's implementation of the language in the Continuing Resolution concerning the reorganization of the Office of Investigations. Many members of this committee believe that the Office of Investigations that reports directly to the Commission is the best manner in which to protect the public health and safety. We're disturbed by the reorganization announced by the Commission.

The Commission itself has stated that it believes that the Office of Investigations should report directly to the Commission. The committee is interested in how the Commission intends to maintain the effectiveness of this office with the organization.

As the Commission knows, the Subcommittee on Nuclear Regulation has reported a bill to the full committee which would replace the five Commissioners with a single administrator. The structure of the new Nuclear Safety Agency would be similar to that of the EPA. The bill would also create a Nuclear Safety Board, an independent office of Inspector General, and a statutory Office of Investigations.

The Commission should feel free at this time to make any comments it wishes on this bill.

This concludes my opening remarks. I now turn to my colleague, Mr. Breaux, for any comments he wishes to make.

OPENING STATEMENT OF HON. JOHN B. BREAUX, U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator BREAUX. Thank you, Mr. Chairman, for having these hearings to give us a chance to look at the administration's budget request. I think we should all be pleased that the Commission has managed to get OMB to request $450 million. That's good news. However, it certainly comes in light of what is unprecedented cuts in the final days of the last budget cycle. Certainly no one on this authorizing committee supported it, and it was unfortunate that that $35 million or so reduction was necessary.

I am pleased that we have a $450 million request for fiscal year 1989. I was disappointed when the Commission announced that in the wake of last year's Budget Committee report language, that the Commission took the position that they were going to change some of the arrangements for the Office of Investigations because they felt the report language required them to consider doing that. I've talked to some of the Commissioners about it. Hopefully, we can continue our efforts to correct that, and perhaps with additional money that would be in this budget, we wouldn't have to take the actions that I think the Commission felt they were forced to take because of Budget Committee report language last year that talked about this suggested course of action.

I will keep my remarks short, Mr. Chairman, and look forward to participating in the hearing.

Thank you.

Senator BURDICK. Senator Mikulski.

OPENING STATEMENT OF HON. BARBARA A. MIKULSKI, U.S. SENATOR FROM THE STATE OF MARYLAND

Senator MIKULSKI. Thank you very much, Mr. Chairman.

I wanted to attend the NRC budget hearing before the full committee because I think its functions are some of the most important that we oversee.

It is faced with many challenges on how to insure an efficient, productive nuclear source of power at the same time the nuclear industry has many of its own challenges. You have the responsibility of overseeing lots of individual plants of uneven competency and commitment both to efficiency and to safety.

I look forward to hearing the conversation today and will be asking some questions about Peach Bottom facing my own State as it would relate then to national policy on management and safety. We look forward to making sure you have the resources necessary to do the job we're asking you to do.

Thank you.

Senator BURDICK. Senator Reid.

OPENING STATEMENT OF HON. HARRY REID, U.S. SENATOR FROM THE STATE OF NEVADA

Senator REID. Thank you, Mr. Chairman.

The Nuclear Regulatory Commission is asking for $450 million in fiscal year 1989, an increase of approximately 12 percent. It's important to note, however, that the NRC bore the brunt of an unanticipated $35 million cut in fiscal year 1988. These funds will be distributed within the NRC's five mission areas which are reactor safety and safeguard regulation, nuclear safety research, nuclear material safety, and safeguards regulation, nuclear waste regulation, and special and independent reviews.

On several occasions this committee has discussed the shift and focus of NRC activities from licensing nuclear reactors to the oversight of reactor operations and maintenance. As part of this change, the NRC has set forth several initiatives designed to improve agency efficiency and effectiveness in this area with an emphasis on safety.

The budget document fully outlines the NRC's initiatives which include improvements in the regulatory process, standardization of designs, and improvements in the performance of reactor operators. Obviously, NRC activities pertaining to high- and low-level nuclear waste disposal are also a serious concern.

Mr. Chairman, I look forward to a detailed explanation of NRC's plans for implementation of the high-level waste program since passage of the Nuclear Waste Policy Amendments Act of 1987.

Senator BURDICK. We have a statement from Senator Symms which will be made part of the record.

[Senator Symms' statement follows:]

OPENING STATEMENT OF HON. STEVE SYMMS, U.S. SENATOR FROM THE STATE OF IDAHO

I want to thank the Nuclear Regulatory Commission for appearing before the Committee today.

The NRC has had a long and lasting presence in Idaho with the research and regulatory work conducted for them at the Idaho National Engineering Laboratory. For a number of years, water reactor safety research was the major focus of the INEL, with world famous reactors such as the Loss of Fluid Test Facility and the Power Burst Facility conducting tests that attracted international interest and involvement. These tests have added significantly to the nuclear community's knowledge of nuclear safety.

In recent years, the research effort has been reduced considerably, and I have been concerned that budgetary constraints have put safety research funding on an irreversible, downward trend. So I am pleased to see that the FY89 request includes an increased level of funding for the safety research program. I support this increase and hope the members of this committee will do the same.

I think the NRC must improve their efforts in providing to Congress the concrete results of the research program. What have we got for the money we've spent? Can nuclear power plants operate safely at high power levels and maybe cut the cost of electricity rates? The NRC has also been criticized for scattering their research among a large number of laboratories. However, they have been urged to centralize this work so they may get more for the money they are given to spend.

It does seem that Congress continues to ask more and more of your agency without always providing the necessary funds to support this new business. Radioactive waste disposal is a case in point. I think we are all counting on your agency to oversee this effort so the public can be assured it will be handled and stored safely. I am also pleaded to see the commission has finally been able to consolidate its offices, as the Rogevin and Kemeny Commissions recommended after the Three Mile Island Accident.

Once again, thank you for appearing before us today. I will have some questions for the record.

QUESTIONS FOR THE NUCLEAR REGULATORY COMMISSION BUDGET HEARING SUBMITTED BY SENATOR STEVE SYMMS

1. What has the NRC done to make clear to Congress and the public the benefits derived from its safety research effort?

2. Please provide for the record the status of the NRC's program that was established under the name of Centers of Excellence. Is the program continuing? Has it been expanded? What is the funding for this program?

3. What research is being conducted into severe accident analysis?

A. Where is this research being conducted?

B. What is the funding for this program?

C. Is the Three Mile Island (TMI) research part of this effort?

D. Where is the TMI research being conducted and by whom?

4. Please explain the NRC's involvement in the international nuclear area—the Nuclear Energy Agency (NEA) and the International Atomic Energy Agency (IAEA)?

A. Has this involvement grown in recent years?

B. How much funding from the NRC is involved in this effort?

C. Do foreign countries contribute "in kind" or with funds to our research programs?

Senator **BURDICK**. Chairman Zech, you may proceed with your testimony.

STATEMENT OF HON. LANDO W. ZECH, JR., CHAIRMAN, NUCLEAR REGULATORY COMMISSION, ACCOMPANIED BY FREDERICK M. BERNTHAL, THOMAS ROBERTS, KENNETH M. CARR, AND KENNETH C. ROGERS, COMMISSIONERS

Mr. **ZECH**. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, the Commission appears before you today to discuss the NRC's fiscal year 1989 budget request. With me today are my fellow Commissioners, the Executive Director for Operations, the General Counsel, and the Principal Office Directors.

Our fiscal year 1989 budget request is for $450 million and 3,180 full-time equivalent FTE staff. This is an increase of $27.4 million above our original estimate of $422.6 million that we provided to you last year. This increase is needed to meet pay raises for Federal employees, for agency contributions to the Federal Employees Retirement System, and for high priority safety programs.

As you are aware, our fiscal year 1988 budget request was reduced by $35 million. To put this reduction in context, we have provided a chart, appendix 1 to our testimony, that shows our total obligations by fiscal year and how those obligations have been eroded by inflation since fiscal year 1975, our first budget year.

The upper curve on the chart shows that the actual NRC obligations for fiscal year 1988 are now at approximately the same level as in fiscal year 1980. As shown by the lower curve on the chart, in constant fiscal year 1975 dollars, the NRC budget is less than it was in fiscal year 1977.

However, since fiscal year 1977, the number of licensed reactors has increased from 67 to 110, and our inspection and oversight for each reactor has increased. We also have been assigned additional waste management responsibilities.

We have been able to manage largely due to two factors: first, the reduction in licensing reviews for reactors under construction; and, second, the substantial reduction to the agency's regulatory research program.

The fiscal year 1988 reduction, while still allowing us to perform our responsibilities under the statutes, has brought us to a marginal point in our capability to assure adequate protection of public health and safety. In general, in fiscal year 1988 we will only be able to provide less than planned regulatory inspections and oversight of reactor and non-reactor facilities and materials licensees. There will be fewer special safety inspections and safety evaluations for operating nuclear power reactors. There will be fewer operator requalification examinations. We will delay the first phase of implementing the Emergency Response Data System, ERDS, until fiscal year 1989. We will also have to delay important improvements to our program for evaluating reactor operating experience.

The fiscal year 1988 reduction will slow the resolution of certain technical safety questions that define how nuclear power reactors respond to severe accidents. Also, it will delay our ability to fully understand how reactor equipment and materials withstand the unique environment inside the reactor containment building as nuclear power reactors age.

Although we believe we can carry out our mission with the $35 million reduction in fiscal year 1988, we believe that a $450 million budget for fiscal year 1989 is necessary for us to be able to fund essential programs and strengthen our ability to protect the public health and safety.

About one-half of the requested increase for fiscal year 1989 is for our safety research program. The remainder of the increase is for nuclear materials safety and for additional oversight of operating reactors.

More specifically, these funds are primarily needed to:

Retest each reactor operator, by NRC, at least once during the 6-year term of their license, to ensure that they remain qualified to safely operate their plans.

Reduce a growing backlog of license changes brought about by the fiscal year 1988 budget reduction.

Increase efforts to understand how critical equipment and materials function under the environment inside the reactor containment building. We need this information to be able to confirm the safety of nuclear plants as they age.

Accelerate the resolution of safety issues which define how nuclear power reactors respond to severe accidents and determine the risk of such accidents to the health and safety of the public.

Better understand radiation health risks and reduce worker exposures.

Increase attention to licensees who use nuclear materials so as to reduce worker overexposures and patient misadministrations and to properly respond to non-reactor events.

Initiate a 5-year program to implement an Emergency Response Data System at each reactor site. This is needed to provide essential safety information to NRC during an emergency.

Upgrade NRC's telecommunications network to eliminate problems that could cause NRC to lose voice communications with a licensee during an emergency.

Improve our program for evaluating operating data in order to more fully determine the lessons of experience.

Expand NRC's safety information systems to improve the accuracy, reliability, and timeliness of safety information.

Continue consolidating NRC headquarters operations in Rockville, Maryland.

The NRC's fiscal year 1989 budget request includes the final step of our initiative to reduce staff by over 300 FTE's from our fiscal year 1986 authorized level. We took this action because we believe that by consolidating our headquarters offices and by adopting a new organizational structure to better focus NRC on the day-to-day safety of operational facilities, we can become more effective and improve our efficiency.

The new organization places more emphasis on evaluating licensee performance, integrating licensing and inspections, conducting in-depth team inspections, and focusing research on identified operational safety issues.

We believe this planned reduction of 300 FTE's is a unique and responsible action that can be taken while still allowing us to continue essential safety programs and without damaging our ability to fulfill our statutory responsibilities.

We continue to encourage the nuclear industry to become quality conscious. High quality in construction, maintenance, and operation can make plants safer. Striving for high quality should be an integral part of utility leadership, and our emphasis on quality efforts must guide future programs and activities which bear directly on safety. Quality and excellence must be the hallmark of the NRC and the nuclear industry.

The details of our budget request are contained in our submission which has already been provided to the committee. Appendix 2 to this testimony, summarizes the agency's budget request for each of its programs.

In closing, Mr. Chairman, we want to strongly emphasize that it is essential for the NRC to have adequate resources to meet its responsibilities to protect the public health and safety. My fellow Commissioners and I believe that our fiscal year 1989 budget request represents the resources needed to provide sound and credible regulation of the civilian uses of nuclear materials, commercial nuclear power generation, and radioactive waste disposal. We urge your strong support for the full amount of our request.

Thank you, Mr. Chairman.

Senator BURDICK. Thank you.

Senator Simpson, do you have an opening statement?

OPENING STATEMENT OF HON. ALAN K. SIMPSON, U.S. SENATOR FROM THE STATE OF WYOMING

Senator SIMPSON. Mr. Chairman, I thank you. I really just would make a very swift comment.

I welcome the Commissioners here. We traditionally hold these at the outset of the year, and it provides us with an opportunity to review the budget request and to discuss policy, and even to pass a little policy. We do that in here during the budget activities.

But you have a substantial increase, I see. I trust we will review that with care to insure there is a justification for that increase, and yet we must remember that the Commission suffered a sharp reduction in its fiscal year 1988 budget last year when we enacted the Continuing Resolution far below what the committee recommended earlier in the year. I think, too, we have to keep that in account in evaluating this budget.

We have reported legislation to reform and reorganize the Commission, hopefully, to provide a more effective, efficient regulation of civilian nuclear power and look forward to hearing from the Commissioners on what they might have to offer about that legislation before we take the legislation to markup at the full committee.

I do appreciate your help to the subcommittee, Mr. Chairman, and your courtesies extended to the chairman, Senator Breaux, and to me as the ranking member of the subcommittee. Thank you.

Senator BURDICK. Chairman Zech, what is the status of the negotiations with the Department of Energy regarding the recovery from the nuclear waste fund of NRC's expenses in the high-level waste program? Who will have final say over how much NRC is to recover?

Mr. ZECH. We have been conducting negotiations with the Department of Energy on the waste fund issue. We have recently conducted what I would characterize as, I believe, successful negotiations with the Department of Energy's legal and financial personnel.

At the present time, our staff is reviewing the memorandum of understanding and interagency Agreement that have been drafted by a joint effort of NRC and DOE. We would expect to hear reasonably soon from the staff that we have concluded, hopefully, some successful negotiations, so we will be able to collect a user fee as has been planned.

Senator BURDICK. What is the NRC doing with respect to the report by DOE scientists that says that Nevada might not be a qualified site for the high-level waste repository? Did NRC receive the report? If so, what are your thoughts on it?

Mr. ZECH. Yes, Mr. Chairman, we have received the report. The report you're referring to is, I believe, initiated by Mr. Szymanski from the Department of Energy. The report is being reviewed by our staff.

I would point out, Mr. Chairman, that in the report itself it says—and I think I can quote here—after pointing out a number of concerns, it says:

> All of the above licensing concerns regarding the Yucca Mountain site are not new concerns. They were raised previously in one form or another by various parties, most notably the United States Nuclear Regulatory Commission and the State of Nevada.

So those concerns are being looked at. We will be having workshops here with the Department of Energy on that very issue in the month of April. Following that, it is my understanding that the plan is to finalize the efforts of the workshops in the month of May, and sometime after that I believe we would be in a position to inform Congress as to our progress in that regard.

Senator **BURDICK**. Thank you.

What has the Commission done to implement the recommendations of the National Academy of Sciences regarding the revitalization of the research program?

Mr. **ZECH**. The National Academy of Sciences made some very commendable recommendations concerning our research program, Mr. Chairman. We have taken, I believe, a very aggressive approach to responding to those recommendations they gave us. We have implemented a number of them. We are in the process of implementing others. There are several that we have disagreed with, but not many.

I think their recommendations are sound. One of them, I might just mention briefly, was to have a research committee, an outside group of scientists that would advise us on our research program. We accepted that recommendation. We have been initiating correspondence and searching for the people that might be in that advisory group, and I'm pleased to say that I think we're making very good progress in that area.

I would think that our progress as far as those recommendations are concerned is moving along very satisfactorily, Mr. Chairman.

Senator **BURDICK**. Thank you.

Senator Breaux.

Senator **BREAUX**. Thank you, Mr. Chairman.

I thank the Commission members for being here.

Mr. Chairman, looking at the significant reductions in the reactors' licensing applications reviews and inspection program, it dropped from $3.037 million down to $1.773 million. I take that as evidence of the fact that there will be fewer and fewer new license applications that are in the pipeline. Would that be correct?

Mr. **ZECH**. Yes, I think that's exactly correct.

Senator **BREAUX**. How many license applications does the Commission expect to review during the next two calendar years?

Mr. **ZECH**. We haven't received any new applications, Mr. Chairman, since 1978.

Senator **BREAUX**. So you don't expect any?

Mr. **ZECH**. We don't expect any, but I don't—I would hope that that's not true. We could get some.

Senator **BREAUX**. What about restarts? How many restarts applications are you expecting?

Mr. **ZECH**. Well, let's see, we have nine reactors shut down at the moment. There are plans at the utilities to bring all of those reactors back on line. I don't know that all those plans will materialize, but they are coming along.

We have some of the restart decisions to be made very soon, within a week or so. Others will be made not for a year or two perhaps—and some may not materialize. Those nine restart decisions are before us. Some will be coming soon and others will be taking a little longer.

Senator **Breaux**. Could you provide for the committee, perhaps in a chart form, the possibilities of the restart applications, the ones that are down, and perhaps any information on where they are with regard to the NRC as far as getting prepared to submit a restart application.

Mr. **Zech**. We will supply that for the record.

Senator **Breaux**. Okay.

[The information referred to follows:]

NRC review of licensee restart plans is an iterative process, and staff review effort is usually expended throughout the shutdown period. The following restart dates are the licensee's estimated schedules:

PLANT AND ESTIMATED RESTART

Sequoyah 1, September 1988.
Browns Ferry 2, December 1988.
Browns Ferry 1, Summer 1989.
Browns Ferry 3, Fall 1990.
Peach Bottom 2, November 1988.
Peach Bottom 3, December 1988.
Pilgrim, July 1988.

Senator **Breaux**. Chairman Zech, on page 2 of your statement you point out that the fiscal year 1988 appropriations mark has brought you to what you term "the marginal point" in your ability to assure adequate protection of the public health and safety. Also, on page 5 of your statement you discuss how the new organization of the Commission "places more emphasis on evaluating the licensee performances and integrating licensing and inspection, among other things."

As we have just discussed, however, your reactor licensing application reviews and inspections budget is way down. I would further note that the reactor operations inspections budget program is also down. Do we have reason to be concerned or should we be looking at some of the other programs within the reactor safety and safeguard regulation mission area?

Mr. **Zech**. I think that the $35 million cut, Senator Breaux, is what we considered a very significant cut. It brought us to the point where the Commission did consider very carefully attempting to arrive at the threshold we were looking at as far as public health and safety were concerned. Our conclusion was that we could, indeed, protect the public health and safety, but what we had to do was cut down on a number of our longer-term programs: some of our research programs significantly, some of our operating inspections, a number of things. So we focused on near-term operational safety. As a result, we have, indeed, made some significant reductions and delays in programs and eliminated some programs.

Senator **Breaux**. That's my point. I don't want to interrupt, but that was last year. This year's budget you're further down in two of these areas. I'm saying, where are we increasing in order to get back to more than just a marginal position of protecting health and safety?

Mr. **Zech**. I'm sorry, I thought you were talking about our current fiscal year 1988 reductions.

Senator **Breaux**. I understand that.

Mr. **Zech**. Fiscal year 1989, certainly.

Senator BREAUX. Because these other areas, in 1989, are going to be less than they were in 1988. If we are in bad shape in 1988, tell me why we're going to be in better shape in 1989. Are the scenarios that are being emphasized more than they were with the 1988 budget?

Mr. ZECH. There are only a very few areas in 1989 that have not been increased over 1988. In most all areas in 1989 there has been a rather significant increase because of the $35 million reduction in 1988. We've tried to accommodate the best we could. For example, the ERDS program that I mentioned, the Emergency Response Data System, we have to postpone from 1988, will be picked up completely in 1989. It will start the initiative there.

Operational inspections will increase in 1989 in both reactor and in nuclear materials areas. I have a list of things that I could give you specifically, but I think we've made a very careful look at applying the funds we're asking for in 1989 not only to accommodate what we feel we had to reduce in 1988, but also to cover some of the areas that, because of the changing atmosphere of our responsibilities——

Senator BREAUX. The reactor operations inspection budget is not up from last year; it's down from last year. Fiscal year 1988 was bad and 1989 is worse.

Mr. ZECH. I'm not sure I'm looking at the same figure there, Senator.

Senator BREAUX. That's your request.

Mr. ZECH. Our intention is to increase our inspections in 1989 over 1988. If we have not done that, it's not what we intend to do.

Senator BREAUX. Fiscal year 1988 estimate, reactor operations and inspection, $7.840; Fiscal year 1989, $7.150. That's less than last year. That's your budget; it's not mine.

Mr. ZECH. Reactor operations—well, I'm looking at page 17 of our green book, and it says that reactor operations reviews in 1988 funds are $1.70 million and in 1989 it's $2.141 million. That's an increase.

Senator BREAUX. Reactor operations inspections, read that.

Mr. ZECH. Oh, I see. The first item, operator——

Senator BREAUX. No. The category that says "reactor operations inspections."

Mr. ZECH. Yes, I see it now.

Senator BREAUX. What's the number?

Mr. ZECH. Yes, I see. I see your figure now, Senator. You are correct; it is a reduction. I'm informed that those operator inspections that we're looking at here are specialized inspections which we do believe will be down in 1989 over 1988.

Senator BREAUX. I'm not playing tricks, I'm just saying, if it was bad last year in some of these areas; it's worse in some of these areas this year. Tell me some other area that makes me feel better than I did last year.

Mr. ZECH. Well, I can just say that there aren't many of those figures. I think you'll note, if you'll look at those, most all of them are going in the other direction. On the other hand, I will look carefully to see exactly what's going on.

I am informed that those are specialized inspections and there may be a reason for that reduction, but I will guarantee you I will look at that very carefully to make sure that I'm satisfied that we're doing the right thing.

Our intention is to increase oversight in 1989 over 1988.

[Subsequent to the hearing, the following information was supplied:]

The FY 1988 reduction, while still allowing us to perform our responsibilities under the statutes, has brought us to a marginal point in our capability to assure adequate protection of public health and safety. To help NRC get back to more than just a marginal position, we believe that a $450 million budget for FY 1989 is necessary for us to be able to fund essential programs and strengthen our ability to protect the public health and safety.

About one-half of the requested increase is for our safety research program. The remainder of the increase is primarily for additional oversight of operating reactors and nuclear materials safety. More specifically, these funds are needed to:

Reactor Safety and Safeguards Regulation

- Resume testing of reactor operators at least once during the six-year term of their license to ensure they remain fully qualified. This work was postponed for FY 1988.
- Reduce growth of operating reactor licensing action backlog resulting from FY 1988 resource reductions in order to make sure operating plants maintain level of safety.

Nuclear Safety Research

- Expand research to evaluate critical reactor equipment and materials to learn more about how they withstand the unique environment inside the reactor containment building. This is essential to confirm safety of nuclear plants as they become older and to determine the technical basis for relicensing plants at the end of their present 40-year life.
- Accelerate the resolution of safety issues which define how nuclear power reactors respond to severe accidents, such as the one that occurred at TMI, and the determination of the risk such accidents have to the public's health and safety.
- Revitalize the radiation protection and health effects program to reduce uncertainties in health risk estimates, to improve health physics technology and to reduce exposures to workers.

Nuclear Materials Safety and Safeguards Regulation

- Improve our oversight of the numerous types of nuclear materials users such that licensees have fewer over exposures to their workers and the public and provide adequate capability to evaluate and respond to unexpected events involving nuclear materials.
- Certify plutonium air shipment packaging pursuant to the Nuclear Waste Policy Amendments Act of 1987, Section 5062.

Nuclear Waste Regulation

The funding increase is for low-level waste regulation. It is needed to:

- Conduct radiological surveys and site studies relating to clean-up and decommissioning of licensed sites with large volumes of low-level source material contamination.
- Expedite the review of topical reports on waste form and disposal containers to provide prompt and efficient implementation of NRC requirements for the disposal of low-level radioactive waste at commercial sites.

Special and Independent Reviews, Investigations, and Enforcement

- Begin to implement Emergency Response Data System at each reactor site to provide essential safety information to NRC during an emergency. This work was postponed from FY 1988.
- Upgrade NRC emergency telecommunications network to achieve the needed reliability. Experience has shown that the existing public telecommunications network is not adequate during emergency conditions.
- Improve analysis of reactor operational data to more fully determine the lessons of experience and the safety concerns that warrant regulatory action.
- Improve training programs for NRC technical staff to increase their focus on operational safety consistent with NRC's recent reorganization.

Nuclear Safety Management and Support

- Proceed with NRC headquarters building consolidation in Rockville, Maryland.
- Expand NRC safety information systems to improve the accuracy, reliability and timeliness of safety information available to NRC's management and technical staff, particularly during emergency conditions.

Senator **Breaux**. You have to do it with less money.

Mr. **Bernthal**. Senator Breaux, if I could just make one comment—it was, indeed, one of the concerns that I raised that this area of specialized inspections was being cut, and, in fairness, the proposed cut was greater than the one that now appears in the budget. The chairman restored a significant fraction of those staff-proposed cuts.

In a word, however, a great deal of that budget increment, that $450 million that you now see proposed for fiscal year 1989 is to restore the research programs which took a tremendous hit as a consequence of what I would consider to be a thoroughly imprudent cut for fiscal year 1988.

Senator **Breaux**. I don't want to answer my own questions, but if I were sitting there, I would tell you about the human performance area. You're looking for twice as much money as last year. Tell me that. I mean, my goodness, you're all the Commissioners. Isn't that going to make me feel better if you told me that?

Mr. **Zech**. I want to tell you the truth, Senator. I have to look to see what you're pointing out to me——

Senator **Breaux**. Human performance in reactor safety last year was 3.7; this year it's going to be 6.2. Isn't that progress?

Mr. **Zech**. Yes, it is.

Senator **Breaux**. Thank you.

I'll pass for a while. I've got to regroup.

Senator **Burdick**. Senator Mikulski.

Senator **Mikulski**. Thank you, Mr. Chairman.

First, I want to comment about the building consolidation and this will not be a question; it's really a comment. We're pleased that you're consolidating in Rockville, Maryland, and we're also aware that there have been some problems between GSA and county government. We've asked both of them to get off their guidelines and resolve it for you.

Mr. **Zech**. We appreciate that very much.

Senator **Mikulski**. We know that in terms of just sheer management efficiency that's very important for you.

Mr. Commissioner, I'd like to go on to the Peach Bottom issue. If I could, for members of the committee, Peach Bottom is a powerplant located in Pennsylvania that was closed down for safety reasons. The Institute of Nuclear Power Operations, who are a trade association for nuclear power, criticized Peach Bottom as one of the absolute worse in the country. The questions we have about Peach Bottom do go to the issues of inspection and some national policy.

I would like first, though, to ask a question about drug abuse and drug testing.

Mr. **Zech**. Sure.

Senator **Mikulski**. From what I understand, employees at Peach Bottom have been indicted for possession or use of illegal substances while on the job. My question to the NRC is—again, using Peach Bottom as a case example—how does the NRC propose to correct the problems of drug abuse at Peach Bottom, and what is the present NRC policy on drug testing at nuclear powerplants?

Mr. **Zech**. The Nuclear Regulatory Commission has in effect a policy statement that requires all nuclear power utilities to have in place a fitness-for-duty program, including a drug program. This policy statement has been in place, Senator, for a little more than a year and a half.

When we put it in place, we had a series of discussions about it. What we wanted to do was to do something about the drug problem in our utilities. We recognize there is a drug problem in our country. We decided at the time that the utilities could, indeed, put a program in place quicker than we could with a rule. At that time we placed a policy in effect. All the utilities by, I believe it was, around June 1986 had in place, fitness for duty program that was in accordance with EEI guide lines.

Senator MIKULSKI. What is the policy?

Mr. ZECH. Pardon me?

Senator MIKULSKI. What is the policy? What are the components of it? Does it include pre-employment testing? Does it include testing for cause? Does it include random testing for substance abuse? What is the criteria for fitness for duty? Is it intellectual ability? Is it physical fitness? Does it mean drug and alcohol free? What is the criteria, then, for fitness for duty? What is your policy? How do you implement that policy if you essentially have a one-stop shop to help your 110 nuclear powerplants develop plant-by-plant plans for compliance along with this national policy?

Mr. ZECH. The policy we have out does spell out the guidelines, for example, for new employees, for random testing, and so forth. It does not require random testing.

Senator MIKULSKI. Well, let me ask it this way, Mr. Commissioner, not to be brusk at all: what is the criteria for fitness for duty? In other words, by what test, then, do you measure fitness for duty?

Mr. ZECH. Well, let me just say this: my personal view is that——

Senator MIKULSKI. No, no, no, no. What is the NRC criteria for fitness for duty if you have a policy to——

Mr. ZECH. People must be fit for their duty in order to operate a nuclear powerplant.

Senator MIKULSKI. But what is the operational definition of fitness for duty that is used—how can you go out and tell Calvert Cliffs, Peach Bottom, whatever, you have to have a fitness-for-duty plan, this is our policy, without any operational definition of it?

Mr. ZECH. What we have in place as far as drugs are concerned is a policy for a drug-free work environment. That's our policy. We're striving to get that. I should say that we put out a policy statement on a trial basis to see how effective it would be, with the intention of perhaps placing a rule in effect if it wasn't as effective as we thought. It has been reasonably effective but, on the other hand, we're going to put a rule into effect anyway because——

Senator MIKULSKI. What will the components be?

Mr. ZECH. The components will be specifically the protected area of our plant. We will attempt to get random testing for all employees that are given access to the protected area. We will attempt to assure that we have all the authority we need to do other checking on new employees, other checking as far as random test for cause is concerned, or other types of tests that would be required if the senior employee, the supervisor, has reason to believe that a individual is not free of drugs or is abusing alcohol.

Senator **Mikulski**. Well, are you going to put in a rule?

Mr. **Zech**. I think we will. This is what we're considering. This is what we have in mind now. We haven't done it yet, but this is what I think the Commission will do.

Senator **Mikulski**. When are you going to decide whether you're going to do a rule?

Mr. **Zech**. We are waiting right now to hear from the staff as the result of this one and a half years of policy that we had in effect, to get the results of that. When we get that—and it should be fairly soon—I think we will be able to go to rulemaking. I believe it should be fairly soon.

Senator **Mikulski**. Like April, June, October?

Mr. **Zech**. I don't know. I'm told the staff will get their review to us in March, and I think the plan was to go to a rulemaking after that. I am fairly confident that the Commission will do that, but I can't speak for all of them; I speak for myself in that regard. I'm in favor of moving toward rulemaking.

Let me just say, Senator, if I may, I would like to say I believe in a drug-free society as well as a drug-free nuclear power industry. One of the most difficult things we've had is to put a policy or rule or anything in place in our own agency because we're Government. We're still trying to get the toughest, hardest known policy we can in place in our own agency. I must say that it is with great difficulty, but we intend to do that. We're pursuing that as well as the industry policy, industry rule.

Senator **Mikulski**. I think that's excellent because it's very hard to ask the private sector to do something when you're not able to do it yourself.

Mr. **Zech**. You're absolutely right, absolutely right.

Senator **Mikulski**. It is something we're working with.

Mr. Chairman, I have other questions for the Commissioners, but I would like to submit them for the record. Mr. Chairman, I have to go preside and, if I may, I could either turn them over to you for a second round or, if we don't get to them, just submit them in the record.

Senator **Breaux** [acting chairman]. Without objection, the questions will be submitted.

Senator **Mikulski**. Thank you. We look forward to visiting you in Rockville.

Mr. **Zech**. Thank you, Senator.

Senator **Breaux**. Let me recognize Senator Simpson for questions, but to follow up just a second now, if I can: isn't it true that the NRC for your employees has a specific policy——

Mr. **Zech**. We have a policy——

Senator **Breaux** [continuing]. With regard to drugs on the job, but you do not have a job with regard to utility employees in those same plants?

Mr. **Zech**. We have a policy in place for NRC employees, but we are not able to execute it fully because the policy we have in place requires an awful lot of things that require further steps prior to implementation under the law, according to what I have been informed. We have put out the policy, Senator, that we want our people to conform to.

Senator **Breaux**. But you can't enforce it?

Mr. **Zech**. We can't enforce it.

Senator **Breaux**. With regard to utility employees in the same plant, you don't have a policy?

Mr. **Zech**. We do have a policy out for utility employees. We have a policy and under that policy each utility out there has its own fitness-for-duty policy.

Senator **Breaux**. But that's not your policy; that's the utility's policy; isn't that correct?

Mr. **Zech**. It is our policy and it requires them to have in place a fitness-for-duty program.

Senator **Breaux**. I don't want to belabor this but I'm just trying to find out if the NRC has a policy in place for NRC employees in the plant and whether there is an NRC policy for utility employees, and you're saying what?

Mr. **Zech**. Well, yes, that's right. We have policies for both NRC and utility employees.

Mr. **Carr**. That's correct.

Mr. **Zech**. We have a policy out——

Senator **Breaux**. Somebody ought to know.

Mr. **Carr**. Yes, we have a policy for the utilities. It's a utility-enforced policy. They agreed to abide by the EPRI rules. They have that in place at all 54 utilities. They've all got a drug-free policy.

We have a policy in place for the NRC that is unable to be implemented until we get the Health and Human Services and all our agreements in the Government approved.

Senator **Breaux**. Is it the same policy?

Mr. **Carr**. Zero tolerance is the policy.

Mr. **Zech**. Ours is much tougher for our own people.

Senator **Breaux**. Senator Simpson.

Senator **Simpson**. A bunch of dope fiends. A guy in Coyote, Wyoming, he writes me a lot about dope fiends. It's a very interesting thing. It's a serious issue in our country and, boy, we'll have a lot to deal with in regard to transportation, public transportation, public health and safety. That's what this NRC is all about. That issue of drug testing and mandatory and constitutional rights—that will be, I think is right now, before the Supreme Court. We'll certainly be looking toward it because I think it's a very serious problem.

I thank you, Mr. Chairman.

We have reported legislation to reform and reorganize the Commission. It would, among other things, replace the Commission with a new agency headed by a single administrator and establish an independent Nuclear Safety Board within the agency to investigate certain nuclear incidents.

This is a budget hearing, and I would ask you whether the single administrator part of that bill might result in any budgetary savings to you and, in turn, reflect in the authorization level because we would certainly have the elimination of four Commissioner offices and the staff and support staff associated with those offices. I wonder if you could tell me what your thoughts are or if you've looked into that.

Mr. **Zech**. It's a very good question, Senator, and we have looked into it. I've asked my people to come up with some specifics on that as regards dollars and people. They are working on that. We don't have it yet. I'll be happy to supply it for the record. I would presume I would be able to get it shortly.

Senator **Simpson**. If you would, please, Mr. Chairman, provide that for the record, I will appreciate that.

Mr. **Zech**. Yes, sir, we'll do that.

[The information referred to follows:]

INSERT FOR THE RECORD
SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS HEARINGS
ON FISCAL YEAR 1989 BUDGET OF NRC
MARCH 2, 1988

The question was asked concerning specifics regarding dollars and FTE's that could be saved at the Commission level in going from a Commission to a single administrator.

The savings that would be achieved by enactment of legislation to establish a Single Administrator agency would depend upon the final organizational structure defined by the legislation and that established by the Administrator, including, for example, appropriate support staff, etc. In order to provide a reasonable analysis, we have made the following assumptions: (1) the enabling legislation is that defined in Title I of the "Nuclear Regulation Reorganization and Reform Act of 1988," as reported by the Subcommittee on Nuclear Regulation, Senate Committee on Environment and Public Works; (2) establishment of the Office of Inspector General and the Office of Investigation will have no significant resource impact; and (3) the establishment of a Nuclear Reactor Safety Investigation Board will not result in savings achieved by transfer of resources from the current Office for Analysis and Evaluation of Operational Data since the NRC believes that these functions will still be required to be performed by the staff; and (4) the Administrator, if that individual so desires, could retain an organization which would perform a function similar to that of the current EDO.

The result of these assumptions is that the savings to be identified result from those activities directly related to the change from a Commission organization to that of a Single Administrator. The following analysis discusses the specific savings by organization and function, as requested.

Staffing

- Office of the Commissioners: A savings of 28 FTE (Full Time Equivalent Staff) would be achieved by the abolition of four Commissioners offices. The Deputy Administrator would require a staff of about 10 FTE. The 15 FTE assigned to the Office of the Chairman are assumed to be available for use of the Administrator. The net reduction would, therefore, be 18 FTE.

- Executive Director for Operations and Office of the Secretary. There are currently 7 FTE assigned in the Office of the Executive Director for Operations and the Office of the Secretary dedicated to correspondence and mail control. We believe that a revised structure should save about 3 FTE in this function. Three more FTE should be saved by eliminating current activities related to notation votes, calendaring, and reduced number of staff requirements memoranda, etc. We believe that the remaining FTE in these offices would be required to continue such activities as coordination of regional operations, monitoring day-to-day agency operations, continuing essential administrative functions in the Administrator's office, and maintaining the agency's Public Document Room.

Salaries and Benefits

The above analysis identifies a possible savings of 24 FTE's which would result in a reduction in Salary and Benefit costs of about $1.3 million.

Travel

The abolition of the four Commissioners Offices should save about $0.1 million in travel costs.

Program Support/Administrative Support

Program and administrative support costs should be reduced by about $0.6 million resulting from reduced stenographic reporting activities for

Commission meetings, special studies, consultants, etc. used by the Commission and other administrative support.

The above analysis results in a possible savings on the order of $2.0 million which are all identified in the Nuclear Safety Management and Support mission area. These reductions would be more than offset by the resources required for the Nuclear Reactor Safety Investigation Board as defined in the pending legislation.

Senator **Simpson**. I've seen this Commission letter, I think just yesterday. The Commission sent a letter to Chairman Burdick commenting on the NRC reform legislation. It's not lengthy but I haven't had an opportunity to really review it in detail. But in reviewing the major points, I have just a couple of questions.

I would like to ask each of you to explain very briefly your respective positions on the single administrator provision that is provided in the legislation—who supports it and who does not, and why, if you will do that in a very swift fashion.

Mr. **Zech**. Yes, sir, let me go first. I support the single administrator concept. The bill that you're referring to in my letter is certainly a great improvement, in my judgment, on the bill that had previously been submitted. The concerns on this bill that I listed here are mine. I think with those modifications the bill could be—would be a very acceptable bill.

I only have two main thoughts with this bill. I pointed those out in the letter. I think it's important, if I may just take a moment, to mention these things, and I won't be long.

The decision must be made as to the independence of the board. Should the board be an Executive branch? If so, how independent should it be?

My view is the bill should strive for as much independence as possible. The strength of this agency, in my judgment, is its independence. We have the ability to make decisions affecting public health and safety independently and we do that. I think any new organization should have that kind of independence. However, I don't think that's talked to as clearly as it might be in the bill.

The second thing I'd just like to mention briefly is the administrator himself. In my view the administrator should have at least the opportunity to set priorities and have an input to matters that might be investigated. If he, indeed, is going to be the responsible individual for regulatory matters, then I do think the administrator should have an opportunity to set priorities and to have a stronger interface perhaps than I see in the bill.

Those are my two main concerns—I think I will stop and let my colleagues comment. I think it's a great improvement, Senator. Again, I do favor the single administrator concept.

Senator **Simpson**. If we could have just a brief comment from the other Commissioners on that, please.

Mr. **Roberts**. I certainly support the concept of the single administrator, and I joined in the majority of this letter of March 1st to Chairman Burdick. That pretty well summarizes my views.

Senator **Simpson**. Thank you, sir.

Mr. Bernthal.

Mr. **Bernthal**. Senator Simpson, I've given rather extensive record views on this matter in testimony, I guess most recently last November or October, whichever it was. My views remain the same basically. So I will first refer the committee to those opinions expressed there.

With regard to the letter that the Commission just sent up to Chairman Burdick, I didn't agree with the arguments presented in that letter, although, as I believe you all know, I am fully supportive of the single administrator concept.

First of all, with respect to the Nuclear Safety Investigations Board, I have no difficulty with the way that has been set up now within the agency or, rather, proposed to be set up. In fact, my position always has been one of supporting such an independent Nuclear Safety Board, provided there is a single administrator. I most emphatically have never supported that without the single administrator responsible to and reportable to the President.

I have no objections to the way that particular provision has been set up, and I simply don't agree with the arguments presented in the letter.

There also is a good deal of the letter spent addressing a problem that is unsolvable, and that is the problem with respect to OMB, and OMB review of our regulations, the same kind of thing that OMB, the same kind of review that OMB carries out with respect to EPA regulations and I guess every other Executive branch agency.

As the members of this committee know far better than I do—I'm not a lawyer—you either give the President the authority or you don't give the President the authority. There is no way that you can slice that baby halfway. So I think it's just unrealistic to expect that somehow constitutionally you could make an excepted case for the NRC. I don't believe that's possible.

Finally, there was the issue that I don't consider to be a very significant one of the EDO Executive Director for Operations being a presidential appointee. I simply don't agree with that. I can't imagine why the Congress would want to tie the hands of a single administrator, whoever he may be. A single administrator, as all Cabinet officers do, as all agency heads do, can set up whatever reporting system and administrative system he would like to have.

Moreover, I believe that it would violate the whole principle of the civil service. In effect, you would be by statute requiring the civil service to report to an Executive Director for Operations and, in fact, not to the administrator. That's just an unacceptable situation, it seems to me.

If anyone here has ever seen the British program "Yes, Minister," then you will understand the difficulties that I'm talking about, where the civil service gets it way one way or another independent of what the minister of any cabinet level agency might wish.

Senator SIMPSON. I don't have time now—I guess I know the views of Commissioner Rogers and Commissioner Carr. I hear what you're saying with regard to OMB, but the Commission is required under the Atomic Energy Act to keep the Congress "fully and currently informed." I can't believe that OMB in any way is preventing that from happening or restricting the Commission's communication with Congress in any form. If it is, that would be surprising to me.

I hear those comments about the constitutionality and the constitutional infirmities, but I'd like to have, if you have done any work on that, any of you, to provide us with the record of analysis of the constitutionality of it, maybe before March 16th. That would be very helpful.

We all get irritated at OMB, but they're not the Great Oz overlooking the whole thing here and they don't have the powers—I just don't see how you're currently subject to OMB pressures that would prevent our oversight capacity from taking place in any way.

But, anyway, thank you, Mr. Chairman, for your courtesy. I'll have some further questions and submit those in writing.

Senator **Burdick**. Senator Reid.

Senator **Reid**. Thank you, Mr. Chairman.

Chairman Zech, your statement noted that the high-level radioactive waste management program has been adjusted in response to the Nuclear Waste Policy Amendments Act of 1987. Would you provide additional information detailing the adjustments that have taken place within your agency, if any?

Mr. **Zech**. Yes. The adjustments that I believe you're referring to are the plans that we had made based on three sites being characterized. We had to have the resources at least planned for that. Now we understand we are not going to do that: we have lined up with the direction that we have received in order to characterize the site in Nevada.

Senator **Reid**. You understand that the setting for this, if in fact Nevada is the ultimate site, will put tremendous pressure on your agency to license that facility, because it's the only one that there will be? You understand that?

Mr. **Zech**. Senator, this agency, I am sure, is going to do what it thinks is right. We've done that since I've been here, and I would imagine that in the future they'll continue to do that.

Senator **Reid**. That's great in theory, but you understand there will be over a billion dollars spent just in the characterization process, plus the untold millions of other dollars, plus the time. So it's good to say that the agency will do what's right, but there's going to be a tremendous pressure built up to make the site licensed. You understand that, don't you?

Mr. **Zech**. Senator, I understand what you're saying, but we have pressures on us every day for all kinds of things. It's not easy to do what's right. We get all kinds of advice and counsel.

I think we do what's right, and I think in that case we would have to be assured that it's technically correct. This Commission or whatever commission might be here in the future would, indeed, do what they thought was the correct thing to do regarding carrying out their policies and their responsibilities for public health and safety.

Senator **Reid**. Do the other Commissioners have any response whatsoever to that?

Mr. **Bernthal**. Well, I would just make one comment, Senator Reid, that we talked a little bit one other occasion, I believe, about this question of whether there would be some additional sense of urgency, and I think there's no question about that. If you're down to one site, as we now are, there will be an additional sense of urgency. I think any realistic observer would realize that.

Senator **Reid**. I understand that the NRC Advisory Committee, established to negotiate a consensus on procedures for the high-level waste licensing proceeding, has been altered since passage of the act last December. What changes have been made, if my understanding is correct?

Mr. **Zech**. I would have to call on staff for that, Senator. I'm not sure.

Mr. **Benero**. Robert Benero, Deputy Director of the Office of Nuclear Material Safety and Safeguards.

Basically, with the reduction to a single site from three sites, certain participants in that negotiated rulemaking activity were eliminated, so that the scope is somewhat narrower but the progress continues.

Senator **Reid**. Thank you very much.

In the Department of Energy's budget for fiscal year 1989 $15 million is requested for payment of fees for licensing activities carried out by the NRC. I'm at a loss, and I don't mean that in the sense that I should know, but I simply don't know what these activities are. Could somebody detail what this $15 million will be spent for?

Mr. **Zech**. I would have to ask for help on that.

Senator **Reid**. I'm not the only one——

Mr. **Zech**. No, you're not the only one, Senator. Let me call on Mr. Benero again.

Mr. **Benero**. I believe the figure that you're quoting— I've heard $15 million before as DOE's estimate for what funds out of the nuclear waste fund would be channeled to NRC for high-level waste regulatory work. I think that's what that number is.

That's an estimate by the Department of Energy absent the firm figure from us.

Senator **Reid**. I'm wondering if you would supply to the committee, and also to me personally, some more backup on this.

Mr. **Zech**. Yes, sir.

Senator **Reid**. Okay. We'd be happy to do that.

[The information follows:]

The NRC's current estimate of the Agency-wide expenses that are reimbursable from the waste fund are approximately 19.6 million dollars, as opposed to the fifteen million dollars that the Department of Energy has budgeted, for Fiscal Year 1989. The NRC activities covered by this include such things as direct review of DOE work on characterization of the candidate repository site, other general work in preparation for the repository licensing process, and the supporting NRC high-level waste research program. NRC staff has informed the DOE of its estimate and expects that DOE will reimburse the Treasury in the amount the NRC actually expends and bills DOE. NRC and DOE have tentatively agreed that NRC will hire an independent auditor to review NRC's costs and verify the reasonableness of the bill. The first annual bill will be presented to the DOE in the first quarter of Fiscal Year 1989. The NRC and DOE expect to enter into a Memorandum of Understanding regarding NRC reimbursement from the DOE waste fund in late May or early June of this year.

Senator **Reid**. You have explained—and this is more of a statement than a question—but you have explained already, in response to Chairman Burdick, the fact that the Szymanski report, you're looking at that and at this stage there has been no decision made by the NRC. In fact, I appreciated the statement that you read indicating that in that report one of the parties that had raised some concerns previously was your agency.

Mr. **Zech**. Yes, sir.

Senator **Reid**. That doesn't require an answer, but I do appreciate the statement that was made.

Mr. Chairman, that's all I have.

Senator **Burdick**. There's a vote on in the chamber, so I think we'll take a 10- or 15-minute recess now and come back.

[Brief recess taken.]

Senator **Breaux** [acting chairman]. The committee would please come to order.

I have a few other questions.

For the record, Chairman Zech, regarding my first round of questions when we spoke to the reactor operations inspections and the concern that I expressed of the fiscal year 1989 budget being less than the fiscal year 1988 estimated budget is going to come out, your own budget document points out that that category of operations includes not just the specialized inspections, but it in fact includes also the resident inspections as well as the region-based inspections.

You answered by saying, well, it deals with specialized inspections, but——

Mr. **Zech**. Yes, sir.

Senator **Breaux** [continuing]. It also deals with the categories of resident inspections and it also deals with the category of the region-based inspections.

Mr. **Zech**. But I've been informed, too, Mr. Chairman, since we've had that discussion that that funding decrease is offset, at least to a degree, by an increase in the NRC staff resources to do the same inspections.

Most of those inspections that you see in those figures are contractor-type inspections, and it's money that we need for contractors. I'm told that it's more of a shift in funds to the NRC staff to do those inspections, rather than the contracting out.

Senator **Breaux**. That's what I think the record has to show.

Mr. **Zech**. Yes.

Senator **Breaux**. It's less money. I want to know why we can do better with less. That's the kind of answer that I was looking for on that.

Mr. **Zech**. I would appreciate being able to amplify that for the record, if I may.

Senator **Breaux**. All right, we would appreciate it.

[The information follows:]

As I indicated earlier, the reduction occurs in contracting for experts to assist in special headquarters-based inspections. As we gain experience in ongoing inspections of safety systems and outage modifications we hope to factor these lessons into our region-based and resident programs, thereby reducing the need for contractor support.

Senator **Breaux**. Admiral, recent press reports have detailed some points of disagreement between the NRC staff and the Advisory Committee on the Reactor Safeguards, the ACRS, concerning the potential safety concerns raised by new data suggesting that key reactor vessel supports may be subject to embrittlement and, hence, possible cracking. I take it that this is a potential concern for light water reactors.

In fact, I've read that the staff has taken the position that there does not seem to be any safety problem whereas the ACRS has said that this is unsafe by any type of analysis.

My question to you, then, is: could you elaborate on this dichotomy between what we are hearing, and tell us what, if anything, the Commission might be planning to do in order to study this issue?

Mr. ZECH. Yes, I can. If it's not sufficient, I can call on others to provide perhaps more details. It's my understanding, Mr. Chairman, that the ACRS has met with the staff since that exchange of letters and the article that you referred to. It's my understanding, too, that the ACRS has taken the position that they are quite satisfied that we don't have an alarming situation, but that more work needs to be done.

I believe there have been some reasonably satisfactory discussions between our staff and the ACRS to come to that conclusion.

I believe I could ask a staff member, if you would like, to amply that if possible.

Senator BREAUX. Would you identify yourself for the recorder?

Mr. BECKJORD. Yes. My name is Eric Beckjord, Mr. Chairman. I'm Director of the Office of Research.

What the Chairman says about the meeting with the ACRS staff is correct, and our contractor at Oak Ridge laboratory has met to review the question.

What the question is is the matter of embrittlement of steel support structures for the reactor. The question comes up because of findings over the last couple of years at the Oak Ridge high-flux reactor for isotope production, which runs at a low temperature, and the finding, the preliminary finding is that at low temperatures of operation—that is, 100–200 degrees Farhenheit—that a low level of neutron flux causes embrittlement greater than had previously been expected.

The result of this is that there may be ramifications for the support structures at operating nuclear power plants. The conclusion of our review, the research staff and the Oak Ridge staff that is working for us on this problem, is that there is no current—there is no immediate safety problem.

There are two things that need to be done. First of all, some further research into the phenomenon that I've outlined to you and, secondly, a plant-specific study to find out exactly what materials are involved, and to what extent the embrittlement may be important in the future.

We're not sure at this point—we think that some of the support structures could reach this questionable condition before the end of life. We are reasonably confident that is not the case now, and both our staff and the Oak Ridge staff and the experts on the Advisory Committee for Reactor Safeguards are in agreement on that point as of today.

Senator BREAUX. ACRS says something entirely different. Do we have research money or a plan or a method that we are thinking about, meaning the Commission, to resolve the differences between ACRS and the staff with regard to the potential problem? How do we resolve it?

Mr. BECKJORD. I think, Mr. Chairman, there may have been a misunderstanding in the correspondence that was exchanged at the time. The meeting that the Chairman referred to, at which the matter was reviewed—and this was in just this past month, in February—there was a day-long meeting with the ACRS on this issue.

The research staff presented our view. The Oak Ridge contractor was present at the meeting, and the Advisory Committee agreed with the conclusions which I've outlined to you.

As I said, there are two things that have yet to be done: some further research on the phenomenon itself and a plant-by-plant inspection. When we've completed those two activities, we can answer the question that the ACRS has raised about the future plant operations. But there is agreement that today there is no immediate safety problem.

Senator BREAUX. That's new information.

Mr. BECKJORD. The ACRS agrees with that.

Senator BREAUX. All right. Is that in a document agreement or exchange of letters or——

Mr. BECKJORD. Yes. I can provide you the original ACRS letters on the subject. I can provide you with our response.

Senator BREAUX. We have that I think.

Mr. BECKJORD. And then there will be—we do have minutes of the meeting, of the ACRS meeting. I just can't tell you whether that's in the public—there's a transcript of it. We can provide you with a transcript.

[The information follows:]

INSERT FOR THE RECORD
SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS HEARING
ON FISCAL YEAR 1989 BUDGET OF NRC
MARCH 2, 1988

Correspondence between ACRS and the Executive Director for Operations on the issue of embrittlement of steel support structures for reactors is attached. Also included is the ACRS transcript of March 10-12, 1988.

1. Ltr Kerr for Zech, 3/15/88
2. Memo Stello for Kerr, 1/28/88
3. Ltr Kerr for Stello, 12/8/87
4. Memo Stello for Kerr, 10/7/87
5. Memo Stello for Kerr, 8/4/87
6. Ltr Kerr for Stello, 7/15/88
7. ACRS Transcript *

*Retained in committee files.

UNITED STATES
NUCLEAR REGULATORY COMMISSION
ADVISORY COMMITTEE ON REACTOR SAFEGUARDS
WASHINGTON, D. C. 20555

March 15, 1988

The Honorable Lando W. Zech, Jr.
Chairman
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Chairman Zech:

SUBJECT: ACRS COMMENTS ON EMBRITTLEMENT OF STRUCTURAL STEEL

There has been a recent exchange of letters between the ACRS and the NRC concerning the possibility of threats to the safety of nuclear power plants due to the more rapid than expected embrittlement of pressure vessel supports from radiation at low temperatures. During the 335th meeting of the ACRS, March 10-12, 1988, we heard presentations from the NRC Staff on its further evaluation of this matter. Our Subcommittee on Metal Components met on February 18, 1988 to discuss this matter.

We believe that the program the NRC Staff is undertaking to resolve this matter is appropriate. There are clearly important uncertainties remaining but the effort being implemented should generate the information needed in a timely manner. We would like to be kept informed on the progress and resolution of this matter.

Sincerely,

WKerr

William Kerr
Chairman

References:

1. Letter dated July 15, 1987 from William Kerr, ACRS Chairman, to Victor Stello, Jr. Executive Director for Operations, U.S. NRC, Subject: ACRS Comments on the Embrittlement of Structural Steel
2. Memorandum dated October 7, 1987 from Victor Stello, Jr., Executive Director for Operations, U.S. NRC, to William Kerr, ACRS Chairman, Regarding the Embrittlement of Structural Steel
3. Letter dated December 8, 1987 from William Kerr, ACRS Chairman, to Victor Stello, Jr., Executive Director for Operations, U.S. NRC, Subject: ACRS Comments on Memorandum from Victor Stello, Jr., EDO, dated October 7, 1987 Regarding the Embrittlement of Structural Steel

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

JAN 28 1988

MEMORANDUM FOR: William Kerr, Chairman, ACRS

FROM: Victor Stello, Jr., EDO

SUBJECT: ACRS COMMENTS ON THE EMBRITTLEMENT OF STRUCTURAL STEEL IN REACTOR SUPPORT STRUCTURES

This memorandum is in reply to your December 8, 1987 letter concerning the embrittlement of structural steel in reactor support structures. In summary, we have restudied the 1983 NRC analysis of this issue as well as the more recent ORNL data that emerged from the HFIR analysis, and, as discussed in more detail below, our judgment is that this issue does not constitute an immediate threat to the safety of nuclear power plants that the NRC has licensed.

With regard to the two questions posed in your letter on the current and future status of the NDTT of the reactor support structures, our responses are:

(1) We have not studied enough plant specific information to unequivocally answer this question; the generic analyses that we have done to this point have not led us to identify any specific plants where the support system NDTT is above the operating temperature.

(2) Our judgment is that the NDTT of the support system structure in some plants may exceed the operating temperature before the end of the plant license.

We note that both of these responses are judgmental because we do not yet have sufficient information to be more definite, but we intend to perform such plant specific analyses in our continuing program.

We have responded to your questions as you posed them -- in the context of support structure material NDTT relative to the operating temperature of the support structure. While we agree that NDTT can provide a convenient indication of fracture toughness, and that one can put the problem in perspective by referring to NDTT, we note that resolution of this issue will be done in terms of a comprehensive fracture mechanics analysis, combining the stresses, the material properties (of which the NDT temperature is an important part), and a flaw size large enough to initiate a fracture.

Based on the analyses that have been performed and on our engineering judgment, we believe that the embrittlement of reactor vessel support structures does not pose an immediate threat to the safety of nuclear power plants. An important consideration that has contributed to our belief is that the failure of vessel supports does not lead to the failure of the piping. Work done by LLNL on a different project used a modelling assumption that support failure automatically resulted in piping failure. For that project, this was a conservative, simplifying assumption. The staff has reviewed other analyses that consider the effects of component support failure on pipe breaks. Those analyses show that support failure is not likely to result in pipe failure. Further, recent structural analyses performed by the staff, and employing very conservative assumptions, show that reactor vessels can be supported on their inlet and outlet piping alone, without benefit of the support structures. In addition, our preliminary investigations indicate that shield-tank and column supports, although exposed to neutron fluxes at mid-height of the core, and skirt-type supports have a low likelihood of failure because (1) there is a large degree of redundancy associated with these designs, (2) the loading for these designs is primarily compressive, (3) the columns have no welds and essentially no thermal stresses in the high-flux zone, and (4) the end-of-life fluence for the skirts is very low.

Investigations regarding the impact of the HFIR data on the likelihood of failure for other vessel support designs are still underway. While we recognize that there may be tensile stresses within the structures that could cause cracking, and that there may be more embrittlement than originally anticipated, we do not believe that there is an immediate threat to the safety of nuclear power plants.

The Department of Energy is aware of this issue of embrittlement of reactor support structures having recently conducted a workshop on this topic at Sandia National Laboratory. The conclusion of the workshop was that there is no immediate problem with LWR support structures. However, the workshop focussed primarily on shield tanks and reached its conclusion primarily on the basis of industry work which did not emphasize embrittlement rate effects, nor did it include some of the additional sources of tensile stresses that we have been considering such as welding residual stresses or excessive friction in the slider assembly. EPRI has prepared an analysis of the support structure embrittlement on behalf of the industry that shows an increase in NDTT of 200°F for a 40-year life rather than the 400°F as determined in the ORNL work. We must point out that at this time, our contractor ORNL has reviewed the EPRI analysis and does not agree with it. EPRI, in cooperation with the NUPLEX Technical Subcommittee is, however, continuing to investigate the impact of embrittlement on the neutron shield tank and columnar support designs.

The NRC view of the DOE and industry work is that while we agree with the conclusion of no immediate safety problem, we are working to develop an adequate data base of information on designs, toughness, embrittlement, loads and flaws so that we can make a prompt and correct assessment of the situation.

We are actively researching this issue with the objectives of (1) identifying those plants with support structures that currently are susceptible to brittle failure at the operating temperature, (2) identifying those plants with support structures that may become susceptible to brittle failure at the operating temperature, and (3) defining appropriate actions for those plants. To achieve the first two objectives, we have asked the ORNL HSST Program staff to summarize the reactors by categories of support structures and submit, by February 1988, an estimate of time and cost for analysis of up to five distinct support structures. Our intent is to complete the analyses by the end of FY88. The ORNL analyses will include considerations of rates of embrittlement, peculiarities of support structures, variability of both the materials involved and the potential loads, and combinations of stresses resulting from fabrication effects and normal and accident loading conditions. From the results of these analyses, we expect to be able to achieve our first two objectives. Subsequently, the staff will define appropriate actions for any plants that have, or are expected to have, supports susceptible to brittle failure.

The issue of support structure degradation involves the combined effects of low dose rate, low temperature, and spectrum softening on irradiation damage; analyses will make use of the HFIR results as these are the only such results currently available which include at least combined low dose rate and low temperature effects. Spectrum softening effects will be included in the ongoing research program. Final resolution of these questions on combined effects will require several years of work before enough data can be developed to provide a confident answer. A principal reason for the extended time for resolution comes from the need for study of materials from decommissioned reactors, such as the testing of steel to be removed from the shield tank of the Shippingport reactor. We plan to remove the samples in the Spring of 1988 with the testing to follow as soon as practical. Samples from other reactors undergoing decommissioning will be obtained and tested as they become available in the future. We also are in touch with Naval Reactors to determine if they have any pertinent information which could be shared with us on this issue.

Finally, the staff will review the regulations covering protection against brittle fracture for components and their supports and will review whether further requirements are needed, such as inspection or sampling of materials.

As we continue to develop pertinent informat~~ion on th~~is subject, we will keep you informed.

Original Signed by
V. Stello

Victor Stello, Jr.
Executive Director for Operations

UNITED STATES
NUCLEAR REGULATORY COMMISSION
ADVISORY COMMITTEE ON REACTOR SAFEGUARDS
WASHINGTON, D. C. 20555

December 8, 1987

Mr. Victor Stello, Jr.
Executive Director for Operations
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Mr. Stello:

SUBJECT: ACRS COMMENTS ON MEMORANDUM FROM VICTOR STELLO, JR., EDO, DATED OCTOBER 7, 1987 REGARDING THE EMBRITTLEMENT OF STRUCTURAL STEEL

We are concerned and perplexed by your memorandum of October 7 (referenced). There you conclude that, "the neutron shield tanks and support structures do not appear to pose any safety problems. The embrittlement can be conservatively predicted as an increase in transition temperature of the steel of as much as 400°F." You support your conclusion with the statement, "These structures are in compression, so even with a 0.2 g earthquake, the tensile stresses generated appear to be too low for fracture initiation."

Studies indicate that the highest risk of sudden pipe rupture in the primary system arises from the failure of supports of a major component. We can see no reason to be sanguine about the safety of operating nuclear power plants with the largest, heaviest component in the primary system supported on a structure, parts of which are fully brittle. This is unsafe by any type of analysis. The average stress may be compressive, but it isn't the average stress which would determine the failure of the structure. These supports are welded structures so there are regions with tensile stresses as high as the yield stress. They operate in a temperature gradient so there will be thermal stresses which are tensile in the cold (less ductile) regions. They are uninspected so we have no real idea of what kinds of flaws are present, and flaw size is critical in any meaningful failure analysis.

It would be imprudent to operate nuclear power plants with brittle structures supporting the pressure vessels. We recommend that an early effort be made to gain answers to the following questions:

1) Is the temperature of the support structure of the reactor pressure vessel in any operating plant now below its nil ductility transition temperature (NDTT)?

2) Will the temperature of the support structure of the reactor pressure vessel in any operating plant drop below its NDTT before the plant's license expires?

EDO --- 003354

We hope and suspect that the answer to the first question is "no." However, it is not clear that we know this with any certainty. The research program mentioned in your memorandum is necessary and desirable, but it is not clear that it will answer the safety-related questions noted above in a timely manner.

Sincerely,

W Kerr

William Kerr
Chairman

Reference:
Memorandum from Victor Stello, Jr., EDO, to William Kerr, ACRS, dated October, 7, 1987, Subject: ACRS Comments on the Embrittlement of Structural Steel

OCT 0 7 1987

MEMORANDUM FOR: William Kerr, Chairman, ACRS

FROM: Victor Stello, Jr., EDO

SUBJECT: ACRS COMMENTS ON THE EMBRITTLEMENT OF STRUCTURAL STEEL

In our response to you on August 4, we described the actions underway and being planned to take account of neutron embrittlement of reactor support structures. One important action was a review and assessment of the current state of knowledge of flux, fluence and embrittlement relative to the materials and conditions of neutron shield tanks and support columns that form the primary elements of concern for reactor support structures.

We have now received a report from the HSST Program Staff at Oak Ridge which summarizes the technical information they have assembled relevant to the issue of low dose rate embrittlement of the steel in the support structures of LWRs. A copy of that report is enclosed. The ORNL summary coincides with our evaluation that the neutron shield tanks and support structures do not appear to pose any safety problems. The embrittlement can be conservatively predicted as an increase in transition temperature of the steel of as much as 400°F, based on extrapolation from the HFIR data. This is a factor of 2 to 3 times as much embrittlement as might have been predicted prior to the revelation from the HFIR surveillance program and represents an embrittlement rate 10 to 20 times higher than for test reactor irradiations. The fluence at the HFIR vessel is close to the predicted value, but the flux is 10 to 100 times less than a power reactor cavity region (where the support structures are located) and a factor of 10^4 less than typical test reactors. With the flux reduction schemes now in place, however, the fluence in the shield tank and support column region might decrease about an order of magnitude, with a corresponding decrease in the embrittlement. These structures are in compression, so even with a 0.2 g earthquake, the tensile stresses generated appear to be too low for fracture initiation. The only way to predict enough tensile stresses to initiate fracture of these structures is from the jet forces from a large LOCA of the main cooling lines. By this time, however, the reactor would already be in a serious accident situation, so that failure of the support columns or shield tanks would have little effect.

Clearly, an embrittlement level of some 400°F in the support structures is not a welcome situation. We will incorporate this issue into the RES Materials Engineering Branch programs on fracture, irradiation effects, and neutron dosimetry, to refine the predictions and structural implications, with the idea of developing recommendations for limits on embrittlement or methods for mitigation such as heating of the shield tank water and support columns. We note that such a "fix" was already proposed for resolution of "Issue 15," Radiation Effects on Reactor Vessel Support Structures, NUREG-0933, November 30, 1983, a copy of which is enclosed.

Original signed by
Victor Stello

Victor Stello, Jr.
Executive Director for Operations

C. Z Serpan

AUG 04 1987

MEMORANDUM FOR: Dr. William Kerr, Chairman
Advisory Committee on Reactor Safeguards

FROM: Victor Stello, Jr.
Executive Director for Operations

SUBJECT: ACRS COMMENTS ON THE EMBRITTLEMENT OF STRUCTURAL STEEL

Your letter of July 15 on low temperature low-dose-rate irradiation of reactor structural steels correctly focused on the important issue emanating from the HFIR study that applies to operating commercial LWRs. That issue is whether the appearance of a dose rate effect for low temperature irradiation translates to a possible unexpected increase in the embrittlement of reactor vessel support structures (RVSS) that could pose a problem for safe continued operation of LWRs. We have therefore initiated actions to assemble information and make such analyses as necessary to make this assessment. The essential elements of the effort are shown in the enclosure. We have assigned the Heavy Section Steel Technology Program staff at Oak Ridge overall responsibility for the work, with important contributions to be provided by Argonne National Laboratory in the determination of mechanical properties of the Shippingport reactor neutron shield tank. Within NRC, the Office of Nuclear Regulatory Research will manage the effort. Oak Ridge believes that they can provide us with an initial response on the analysis portion of the work by September 4, with a more complete response by the end of September. We are proceeding to obtain material from the Shippingport reactor shield tank for validation as rapidly as the operations schedules at the reactor site will allow. Presently, we believe that it will require several additional months to gain access to the reactor and retrieve the material for machining and testing. Thus, the validation part of the effort could be delayed until the end of the year. In summary all the issues raised in your letter will be considered in the conduct of this safety assessment. I will be in direct communication with you concerning the results of the work.

Your letter helps to focus some assessments currently being made by the staff on embrittlement characteristics of those materials for aging and for extended service life. While we have been aware for many years of the higher embrittlement for steels irradiated at lower temperatures as was the HFIR vessel, it is only more recently that we have also begun to observe higher rates of embrittlement for vessel steels irradiated for longer times at lower dose rates. For example, only power reactor surveillance data are now being proposed as the basis for trend curves in Regulatory Guide 1.99, Revision 2 "Radiation Embrittlement of Reactor Vessel Materials" because they are a distinct body of data separate from test reactor data, and because they show more embrittlement than the test reactor data. Also, data obtained to date from the cooperative program with the MPA-Stuttgart in the Federal Republic of Germany on the Gundremmingen reactor vessel material also show somewhat more embrittlement than would be expected for the fluence received.

As you well know, the staff is actively engaged in preparing for evaluation of applications for significant extension of operating life beyond the original 40 year license period. One of the most important aspects of that evaluation is radiation embrittlement of the reactor vessel and other components subject to neutron flux during service. Because of the recent information suggesting the low-flux-induced dose-rate effect, this will be studied much more intently and incorporated into aging and extended plant life evaluations.

Original signed by
Victor Stello

Victor Stello, Jr.
Executive Director for Operations

RADIATION EFFECTS ON REACTOR VESSEL SUPPORT STRUCTURES (RVSS)

Objective: To make a rapid assessment if there is a safety problem with RVSS subject to neutron radiation in consideration of a dose rate effect and low temperature irradiation.

Technical Issues:

Flux and fluence in RVSS areas currently and at EOL
Materials and mechanical properties of RVSS
Embrittlement trends of RVSS materials
Estimated dose rate effect and application to RVSS embrittlement trend
Stresses and loadings on RVSS in normal operation and accidents
Consequence to safety and safe shutdown of brittle failure of RVSS

Experimental Validation:

- Measure embrittlement of Shippingport shield tank material
  - Absolute NDT temperature
  - Transition temperature increase (using exterior tank material for reference)
  - Identify material composition and detailed chemistry
  - Determine fluence, flux and exposure history
  - Assure irradiation temperature

Integration and Assessment:

Combine material embrittlement trends with accident loadings to predict possible fracture of RVSS, and determine if such failure has an impact on safety and safe shutdown. Validate calculations and predictions using Shippingport material and data.

Initial Technical Assessment	- ORNL	September 4, 1987
Final Technical Assessment		September 30, 1987
Shippingport Validation Data	- ANL	December 31, 1987

UNITED STATES
NUCLEAR REGULATORY COMMISSION
ADVISORY COMMITTEE ON REACTOR SAFEGUARDS
WASHINGTON, D. C. 20555

July 15, 1987

Mr. Victor Stello, Jr.
Executive Director for Operations
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Mr. Stello:

SUBJECT: ACRS COMMENTS ON THE EMBRITTLEMENT OF STRUCTURAL STEEL

Surveillance samples of steel used in the pressure vessel of the High Flux Isotope Reactor (HFIR) at the Oak Ridge National Laboratory recently have shown that the nil-ductility transition (NDT) temperature of steel irradiated slowly at 120°F can rise much more rapidly with exposure to fast neutrons than would be expected from the available experimental work obtained in test reactors. This appears to be due to two causes:

- a flux rate effect (A lower fast neutron flux embrittles more than the same fluence accumulated at a much higher flux in test reactors.)
- the difference in temperature (550°F for commercial reactor pressure vessels vs. 120°F for the HFIR)

This has led to a significant shift in the NDT of the steel at a fast neutron fluence lower by roughly a factor of 20 than that predicted by the correlations used in the past for low temperature irradiations. This acceleration is independent of the copper content of the material. This suggests that steel structures outside the pressure vessel in commercial nuclear power plants may have embrittled where such behavior was not expected. We believe it would be prudent for the NRC to do the following:

1. Determine if the brittle failure of any structural steel component near the outside of the primary pressure boundary would have safety significance.

2. Determine, using the low temperature irradiation data now available from test reactors, whether an increase in the fast neutron fluence by a factor of 10-100 would be predicted to give brittle behavior in these components.

3. Implement a research program which would assemble better information on the rate of shift of the NDT of structural steels in

commercial nuclear power plants at these lower rates and temperatures.

4. Include consideration of the accelerated shift in NDT as part of the evaluation of structures in the program on plant aging.

Sincerely,

WKerr

William Kerr
Chairman

Mr. Bernthal. Senator Breaux, if I may comment, I think that the ACRS difficulty was with the sense of urgency that was or was not attached to the issue initially. I believe that would be a fair statement.

I was briefed a couple of weeks ago by the experts at Oak Ridge on this particular question, and it is ~~not the~~ kind of question that you worry about tomorrow. Rather, it's the kind of question that could become important in the circumstance of a seismic event, for example.

In other words, these supports, as I understand it, are not likely to fall apart if they're just under compressive loads. But if you start putting new loads on them, an earthquake for example, then it's the kind of thing that you would begin to get concerned about. Therefore, I think it's a fair statement that it's not a tomorrow problem, but it's certainly a problem that we need to take seriously for the longer term.

Senator Breaux. There seems to be a great deal of debate between the staff and the industry contractors regarding the analysis that has been performed on the liner melt-through issue for the Mark I reactor designs. Could you elaborate, if you would, on the Commission's current plans for bringing this issue to some type of a resolution between the two?

Mr. Zech. Yes, I can. The staff has had a recent meeting with a number of interested experts in the field. I understand the meeting really didn't result in necessarily conclusive judgments, but at least there was some progress on trying to identify the areas of disagreement.

The Commission feels, at least at this point I think, that this is a very serious problem that must be resolved. On the other hand, I think that we recognize that we're talking about a problem that is really beyond the design basis requirements of these plants. It means it's beyond what they were designed for.

In the BWR plant that uses the Mark I containment, the boiling water plant, the general conclusion is that there is much less risk of that type of plant getting to the core melt condition. When you combine that with the containment itself, the overall estimate of risk for the boiling water plants is quite similar to that of the pressurized water plants.

As far as the Commission is concerned, at least as far as I'm concerned, it's a problem that we must continue to address, that we must continue to review. We want to come up with a conclusion.

We have a wide variety of views right now. The technical judgments involved as far as the liner is concerned, my personal feeling is we need more discussion, we need more of the experts' view on this before the Commission will be ready to make any judgments.

But you may like to hear from one of the people who was at the lengthy meeting that was held recently to give you a very brief description of the status.

Eric.

Mr. Beckjord. Mr. Chairman, the meeting that the Chairman refers to was held in Baltimore last week. There were about 150 people there from the NRC staff, from our contractors, and from industry. I think everyone, I can say, who has a close interest in this question was in attendance.

The purpose of the three-day workshop was to go over all of the technical issues—the liner is one of the issues; there are others—and the possibility of fixes which might address the problem.

The work to resolve the overall issue of the Mark I containment has been underway for just over a year now. This workshop last week was one of the steps. It's approaching conclusion. We will be making a presentation to the Commission in April of our preliminary conclusions. That will be followed by a final recommendation to the Commission in August on the resolution of the Mark I question.

Regarding the liner that you mentioned, there are still some fundamental disagreements over the question of whether the liner will or will not fail in the condition that was referred to, the complete core meltdown.

But there is some evidence, a new experiment that was brought to light at the meeting last week, and there is some suggestion from that experiment that this, in fact, may not happen.

I think my own conclusion is that we will not be able to make a final judgment on the liner integrity by August of this year when we have to make a recommendation to the Commission. Therefore, our recommendation is not likely to be based on the assumption that the liner will maintain its integrity. It would be based on another assumption, that it will not maintain its integrity.

However, there are other measures, both prevention and mitigation, which can be taken to resolve the question. One of——

Senator BREAUX. Do you know if the recommendation will include independent plant examinations on this issue or not?

Mr. BECKJORD. The independent plant examinations will be getting underway separately by a generic letter which will be going out following Commission approval, probably in April. The Mark I owners will be considering—I think they will do their own independent plant investigations which will bear on this Mark I liner question.

There are some aspects of the question which are generic; that is, they apply to all Mark I containments. But the fact is that there are some differences on the civil works between these Mark I containments, and those differences I think would be followed up in the independent plant examination.

But we will be making a generic recommendation on Mark I's that applies to those generic aspects that apply to all of the containments.

Senator BREAUX. And then specifics with regard to independent plant examinations on some?

Mr. BEEKJORD. Yes. The specific differences—I would expect the utilities to make a response to in their examination of each plant.

Senator BREAUX. Thank you.

Admiral, can you give us perhaps a time table and outlook discussion with regard to NUREG–1150? From a time standpoint, what are we looking at?

Mr. ZECH. Yes, sir. The NUREG–1150 document is being planned to complete, I am informed, by the end of this calendar year. I must say that I have had a number of discussions on NUREG–1150 overseas as well as in our country with a number of people who are interested in it as well as our staff.

There is considerable debate on 1150 yet. My personal feeling would be that it may not come, that we may not come to closure by the end of this calendar year, but that's what we have as a plan at the moment.

Senator **Breaux**. Any preliminary analysis of those regs with regard to the possibility or feasibility of establishing maintenance regulations?

Mr. **Zech**. Let me make sure I understand the question. It's a new question on maintenance regulations?

Senator **Breaux**. Regarding the feasibility or necessity for providing by regulations a maintenance type of program that would be required, is there any preliminary analysis looking in that direction of which you are aware?

Mr. **Zech**. Yes, sir. Yes, sir, I understand. Yes, we have discussed at some length as to the proper course of action to go on maintenance. My view is that—and the majority of the Commission agrees with me—we should go out with a policy statement as soon as possible, and that policy statement should include development of a proposed rule.

I think that, frankly, is the quickest way to do it. I think there is a general agreement of the Commission that a rule is the best way to go, although it's not unanimous. I think that we all do agree, though, that maintenance is an area that should get very high priority. I believe we recognize that maintenance causes problems in the plants and has probably not been addressed as energetically over the years as it might have. At least that's the basis of my judgment that we should move from a policy statement to a maintenance rule.

Mr. **Bernthal**. Senator Breaux.

Senator **Breaux**. Mr. Bernthal.

Mr. **Bernthal**. If I may just comment a moment on two things: one, I want the record to show that I don't believe that we've been moving expeditiously enough on this Mark I containment issue, and I'm sure your staff is aware that I have written some memoranda on that subject.

The generic letter on the issue of individual plant examinations is now almost one year late compared to when the Commission was originally told it would get it. Although, again, it's not a question of tomorrow urgency, I think that it is now getting the increased attention that it has deserved all along. I would hope that the committee would continue to oversee that issue carefully.

On the issue of maintenance, let there be no misunderstanding that all of us agree that that's a crucial area. But there is not unanimity by a long shot on whether a rule would be a good way to go, or exactly what such a rule would contain, and I think I can speak for the ACRS on that issue as well. As a matter of fact, the staff itself indicated in a meeting not so long ago that it wasn't sure what would be in such a rule.

The reason for that difficulty is the problem of exactly how detailed you're going to get in telling a utility how to maintain its plant. Although I agree with and I'm in favor, frankly, of going to an advanced notice of proposed rulemaking right now to find out exactly, one, what the arguments for a rule would be and, two, what ought to be contained in such a rule, there certainly isn't agreement on that point yet.

Senator BREAUX. I appreciate that.

Admiral, does the Commission have statutory and regulatory authority to step into proceedings before either a licensing board or the appeals board?

Mr. ZECH. Yes, we do.

Senator BREAUX. What circumstances allow you to do that? Have you done it in the past?

Mr. ZECH. This Commission has not done it, Mr. Chairman.

Senator BREAUX. The NRC has done it in the past, hasn't it?

Mr. ZECH. May I ask for some support on this one? I don't know the entire history on it, Mr. Chairman.

Mr. PARLER. Mr. Chairman, my name is William Parler. I'm the agency's counsel.

The Commission does have the authority to step in when circumstances warrant it to proceeding with the licensing board and the appeal boards. This authority to do that, which I refer to as their sua sponte authority or inherit supervisory authority, is rarely done. However, it has been done, although infrequently, in the past.

For the most part, however, unless there is a situation where there's clearly a misunderstanding of the applicable policy or the applicable law, the Commission would not do that. It's something that's primarily a fact-finding situation. For the most part over the years, over many years, in fact, those matters are left to the presiding licensing board.

Senator BREAUX. Do you know, can the Commission step in and set deadlines, a time frame, as far as the actions on behalf of the appeals board or the——

Mr. PARLER. The Commission does have the overall authority to do that. Of course, the Commission's formal proceedings are subject by the Atomic Energy Act to the Administrative Procedures Act, and one has to be careful at all times of interfering with the independence and the judgment by the presiding boards.

The question of whether or not a model schedule should be enforced on presiding boards was considered by a prior commission in the early 1980's. That commission decided, after discussions, as I recall, with the panel chairman, not to impose schedule requirements across the board, but urged the panel to try to adhere to a model schedule for operating reactors. We're talking about, roughly, a period of 400 days after all of the staff documents, environmental statements, and the safety evaluation reports were available.

Senator BREAUX. I'd like, if you could—I'm not trying to pin you down now—but maybe you could provide for the record any previous examples of the Commission's stepping into some of those appeals boards or the procedures——

Mr. PARLER. Mr. Chairman, we will be pleased to do that. We have that information available. We'll provide it for the record.

[Material referred to follows:]

The following are examples of instances where the Commission on its own initiative has provided guidance in ongoing licensing proceedings in recent years.

In 1986, after an earthquake had occurred in Ohio, the Atomic Safety and Licensing Appeal Board received a motion to reopen the record in the Perry operating licensing proceeding. Unable to decide whether the issue raised by the motion to reopen had true safety significance based on the pleadings filed by the parties, the Appeal Board decided to hold an exploratory hearing to aid it in its determination of whether the record should be reopened. The Commission intervened and directed the Appeal Board not to hold an exploratory hearing on the motion. The Commission explained that the burden of satisfying reopening requirement is on the movant. The Commission held that the Board was to decide a motion to reopen on the information before it and had no authority to hold an exploratory hearing to supplement the pleadings before it. CLI-86-7, 23 NRC 233.

The Atomic Safety and Licensing Board presiding over the Braidwood operating license proceeding admitted a late-filed quality assurance contention. After soliciting the parties views on the Board's ruling, the Commission in 1986 dismissed the contention after determining that criteria for the admission of late-filed contentions had not been satisfied. CLI-86-8, 23 NRC 241.

In 1987, the Commission intervened in the Seabrook operating license proceeding to address the issue whether a low-power license may issue before a utility applicant submits a radiological emergency plan for the facility's entire plume exposure pathway emergency planning zone. After soliciting the parties' views, the Commission determined that low-power operation should not be authorized until the applicant has submitted an emergency plan for the plume exposure pathway emergency planning zone, even though a demonstration of offsite emergency preparedness is not required for low-power operation. CLI-87-2, 25 NRC 267 (1987).

Senator **Breaux**. I'm wondering whether the Commission really has ever considered just stepping into or going into the licensing procedures for the Shoreham or the Seabrook plants to try to clarify the scope of the Commission's realism rule.

Let me put it another way perhaps: has the Commission examined, Admiral, the recent appeal panel's decision in the Shoreham case for the question of consistency with the realism rule? I'm saying that particularly in light of, I guess it was, Judge Frye's decision which indicated that the utility personnel would really never be as good as local authorities in areas such as traffic control.

Mr. **Zech**. Perhaps I should get my counsel to answer that. I'm aware of what they've done, but I'd probably better let him respond to you, if I may, Mr. Chairman.

Senator **Breaux**. Sure.

Mr. **Parler**. Mr. Chairman, I think the committee will understand that the answer is somewhat constrained, will have to be somewhat constrained, because these matters are pending adjudicatory matters. However, the answer to your question, as I understand it, there's a recent licensing board decision in Shoreham—the decision is dated February the 29th—which perhaps does shed some light in the area. At least it indicates—and I emphasize this is a public document—what the presiding board unanimously in that proceeding thought about the guidance that the Commission's emergency planning amendment, which went into the effect at the end of last year, as I recall, did.

They commented on that rule and the guidance which that rule would give them and the effect of that rule on the matters before the board in the Shoreham.

I would be happy to supply that decision for the record.

Senator **Breaux**. We have the decision.

In a recent decision in the Seabrook case——

Mr. **Parler**. In the Shoreham case.

Senator **Breaux**. No, I'm getting ready to ask a question about the Seabrook case.

A footnote to the appeals board's decision in the Seabrook case indicates that an earlier decision of the Commission, of the NRC, you folks, led the appeals panel to the conclusion that the presence of the operable emergency sirens throughout the emergency planning zone is a prerequisite for the issuance of a low-power license.

Can you tell me in what context or what decision they were referring to or would have been referring to by the Commission that led them to make that determination?

Mr. **Parler**. I think they were referring to a statement that a prior commission made in an earlier amendment to the emergency planning rule, not the one that attracted so much attention last year.

That specific matter, Mr. Chairman, is before the Commission because, if my memory is correct, I believe that the attorney general of Massachusetts or the applicant—I've forgotten—one party or the other has filed a petition for review of that issue with the Commission, and the Commission will have to address that issue.

Senator **Breaux**. Can you tell me what would be the position, Admiral, if the situation were with an operating plant that's fully licensed if the local communities decided, for instance, to take down the sirens in the emergency planning area? What would be the position of the Commission for an operating plant that's ongoing?

Mr. **Zech**. Well, in an operating plant, it's my understanding that the sirens are required. That would mean, I believe, that the licensee would not be in compliance with his license.

Our procedures would allow us to consult with the licensee, and I believe there is a 120-day rule that we could start the clock on, and he would either have to come in compliance by that time or we would shut him down, or take whatever action we felt was necessary if he hadn't fixed it.

Senator **Breaux**. Are you telling this committee that, of the operating plants in the country, if a local county decided they didn't like to have the sirens in the area, that they could take them down and you would be forced to shut the plant down?

Mr. **Zech**. Do you mean if they took them down, we'd be forced to shut them down? Is that the question, Mr. Chairman?

Senator **Breaux**. That's my question, yes.

Mr. **Zech**. If they took them down and wouldn't put them back up, and the licensee was not able to accommodate the requirement for notification in perhaps some other way, if there were no notification by that kind of means or some other alternate means, then we would be required to take some kind of action.

Senator **Breaux**. Some kind of action is a category——

Mr. **Zech**. Perhaps shut them down if there was nothing—if no resolution could be brought to bear. I would think the licensee would try to be imaginative enough to figure out alternate methods of informing people. I've been told in some cases some of the plants are so remote that they could get some kind of a system of arranging to pick people up in an emergency rather than worry about the alarms.

But it is my understanding that we would require the licensee to have some kind of a fix to a situation where people couldn't be notified by siren.

Senator **Breaux**. You don't understand the NRC to have any authority to take any measures or order any actions to be taken which would address that problem on behalf of the NRC?

Mr. **Zech**. I'm informed it's not against—we would not be able to take any action against the State and local governments. We would, indeed, take action against the licensee. That's our responsibility and our authority.

Senator **Breaux**. The NRC would have authority to consider other alternatives other than a siren on a post, however, as being an adequate——

Mr. **Zech**. Yes.

Senator **Breaux** [continuing]. Action to provide sufficient notification?

Mr. **Zech**. Yes.

Senator **Breaux**. Okay, gentlemen, I think that probably covers the questions that I have. If we have some additional ones, I will submit them in writing. I have some questions that Senator Mikulski did not get to ask because of having to go to preside in the Senate. I would ask that you respond to that questions that we would submit.

I appreciate the Commission members being here. I think we've had a healthy discussion and some good dialogue.

With that——

Mr. **Zech**. Mr. Chairman, before you adjourn, with your permission, sir——

Senator **Breaux**. Certainly.

Mr. **Zech**. May I submit some additional clarification for the record if I review the record and think it might be appropriate? I would like to do that with your permission.

Senator **Breaux**. I would hope that there would be some additions that you could provide. The record will be open for 30 days in order to that.

Mr. **Zech**. Thank you very much.

Senator **Breaux**. With that, the committee will stand adjourned to the call of the Chair.

[Whereupon, at 3:57 p.m., the committee adjourned.]

[Statements from today's hearing, responses to additional questions, and statements from agencies not appearing at the hearings follow:]

STATEMENT
SUBMITTED BY

THE UNITED STATES NUCLEAR REGULATORY COMMISSION

TO THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

CONCERNING
THE FY 1989 BUDGET
FOR THE
NUCLEAR REGULATORY COMMISSION

PRESENTED BY
LANDO W. ZECH, JR.
CHAIRMAN

SUBMITTED: MARCH 2, 1988

U.S. NUCLEAR REGULATORY COMMISSION
FY 1989 BUDGET TESTIMONY

Mr. Chairman and members of the Committee, the Commission appears before you today to discuss the NRC's fiscal year 1989 budget request. With me today are my fellow Commissioners, the Executive Director for Operations, the General Counsel and principal office directors.

OVERVIEW

Our fiscal year 1989 budget request is for $450 million and 3,180 full-time equivalent (FTE) staff. This is an increase of $27.4 million above our original estimate of $422.6 million that we provided to you last year. This increase is needed to meet pay raises for Federal employees, for agency contributions to the Federal Employees Retirement System and for high priority safety programs. These adjustments to our original estimate are reflected in our recent budget request and implementing legislation that we recently provided to the Committee.

As you are aware, our fiscal year 1988 budget request was reduced by $35 million as part of the Continuing Appropriations for Fiscal Year 1988 (Public Law 100-202). To put this reduction in context, we have provided a chart, Appendix 1 to our testimony, that shows our total obligations by fiscal year and how those obligations have been eroded by inflation since FY 1975 -- our first budget year. The upper curve on the chart shows that the actual NRC obligations for FY 1988 are now at approximately the same level as in FY 1980. In addition, as shown by the lower curve on the chart, in constant

FY 1975 dollars, the NRC budget is less than it was in FY 1977. However, since FY 1977, the number of licensed reactors has increased from 67 to 110, and our inspections and oversight for each reactor has increased. We also have been assigned additional waste management responsibilities. The reason we have been able to manage is in large measure attributable to two factors: first, the reduction in licensing reviews for reactors under construction; and, second, due to the substantial reduction to the agency's regulatory research program.

The FY 1988 reduction, while still allowing us to perform our responsibilities under the statutes, has brought us to a marginal point in our capability to assure adequate protection of public health and safety. In general, in FY 1988 we will only be able to provide less than planned regulatory inspections and oversight of reactor and non-reactor operational facilities and of the numerous types of nuclear materials licensees. There will be fewer special safety inspections and safety evaluations for operating nuclear power reactors. There will be fewer operator requalification examinations. We will delay the first phase of implementing the Emergency Response Data System (ERDS) at licensee facilities until FY 1989. ERDS is an important improvement to our incident response program. We will also have to delay important improvements to our program for evaluating reactor operating experience.

The FY 1988 reduction will slow the resolution of certain technical safety questions that define how nuclear power reactors respond to severe accidents. Also, it will delay our ability to fully understand how reactor equipment and materials withstand the unique environment inside the reactor containment building as nuclear power reactors age. The longer we have to wait for these answers, the greater the likelihood we will have to face some as yet undefined situation which could necessitate regulatory action such as shutting down facilities to protect the public health and safety.

Although we believe we can carry out our mission with the $35 million reduction in FY 1988, we believe that a $450 million budget for FY 1989 is necessary for us to be able to fund essential programs and strengthen our ability to protect the public health and safety.

About one-half of the requested increase for FY 1989 is for our safety research program. The remainder of the increase is for nuclear materials safety and for additional oversight of operating reactors. More specifically, these funds are primarily needed to:

- retest each reactor operator, by NRC, at least once during the six year term of their license, to ensure that they remain qualified to safely operate their plants.

- reduce a growing backlog of license changes brought about by the FY 1988 budget reduction.

- increase efforts to understand how critical equipment and materials function under the environment inside the reactor containment building. We need this information to be able to confirm the safety of nuclear plants as they age.

- accelerate the resolution of safety issues which define how nuclear power reactors respond to severe accidents and determine the risk of such accidents to the health and safety of the public.

- better understand radiation health risks and reduce worker exposures.

- increase attention to licensees who use nuclear materials so as to reduce reduce worker over exposures and patient misadministrations and to properly respond to non-reactor events.

- initiate a five year program to implement an Emergency Response Data System at each reactor site. This is needed to provide essential safety information to NRC during an emergency.

- upgrade NRC's telecommunications network to eliminate problems that could cause NRC to lose voice communications with a licensee during an emergency.

- improve our program for evaluating operating data in order to more fully determine the lessons of experience.

- expand NRC's safety information systems to improve the accuracy, reliability and timeliness of safety information.

- continue consolidating NRC headquarters operations in Rockville, Maryland.

The NRC's FY 1989 budget request also includes the final step of our initiative to reduce staff by over 300 FTE's from our FY 1986 authorized level. We took this action because we believe that by consolidating our headquarters offices and by adopting a new organizational structure to better focus NRC on the day-to-day safety of operational facilities, we can become more effective, and improve our efficiency. We believe this planned reduction of 300 FTE's is a unique and responsible action that can be taken while still allowing us to continue essential safety programs and without damaging our ability to fulfill our statutory responsibilities. I would now like to discuss some internal changes at the NRC and improvements to the regulatory process.

NRC Organization

Last year when we appeared before this Committee, we outlined a major agency reorganization that we were initiating. That reorganization has been completed and in place for almost one year.

The industry NRC regulates now includes 110 licensed nuclear power plants, 12 major fuel cycle facilities, and about 8,200 users of nuclear materials. Our new organizational structure focuses NRC's major program offices on the day-to-day safety of these operational facilities and will assist us in our efforts toward competent, quality regulatory performance. The new organization places more emphasis on evaluating licensee performance, integrating licensing and inspections, conducting in-depth team inspections, and focusing research on identified operational safety issues. Because of the reorganization we believe we will be able to do a better job. Additionally, we continue to encourage the nuclear industry to become more quality conscious. High quality in construction, maintenance and operation can make plants safer. Striving for high quality should be an integral part of utility leadership and our emphasis on quality efforts must guide future programs and activities which bear directly on safety. Quality and excellence must be the hallmark of the NRC and the nuclear industry.

Building Consolidation

The Congress has consistently supported our efforts to consolidate our headquarters' employees. I am pleased to report that, within the next few months, after more than 10 years, located in a dozen different buildings around the Washington, D.C. area, more than one-half of our headquarters' employees will be housed in a single office building in Rockville, Maryland. It is also expected that the General Services Administration will conclude agreements with the developers, including required building permits, in the next few months to construct an adjacent office building which will house the remainder of our headquarters' employees.

Improved Regulatory Process

The Commission continues to believe it is important to increase the stability and predictability of our regulatory process. Toward that end, the Commission has issued a policy statement which emphasizes its expectations that future reactor designs be standardized. In the near future, the Commission will be reviewing a proposed standardization rule that will provide for early site reviews, standard reactor designs and steps in the direction of a one-stage licensing process. This proposed rule will include many of the recommendations contained in our licensing reform legislative proposal that we submitted to Congress this past year. Although the Commission continues to strongly recommend passage of this legislative proposal, we intend to do all we can within our existing authority to improve our licensing process.

Standardization can bring about improved safety and reduced occupational exposure through improvements in design, construction, operation, maintenance and training, as well as in plant performance and management. The NRC is currently involved in the review of four standardization projects and expects to receive another standard design application in about two years.

The details of our budget request are contained in our submission, which has already been provided to the Committee. Appendix 2 to this testimony summarizes the agency's budget request for each of its Programs. I will briefly summarize the principal Programs.

Program Summary

Reactor Safety and Safeguards Regulation

The NRC's reactor inspection and licensing programs are now integrated in a single NRC office. Integration of these programs has improved our efficiency and effectiveness by reducing redundancies and ensuring a smooth transition between the licensing and inspection activities associated with a particular safety issue.

Regulating the safety and safeguards for commercial nuclear reactors is highly complex. The NRC evaluates reactor and licensee performance through several programs that are designed to audit how well licensees' operate their nuclear power plants in accordance with our regulations. These programs are carried out by NRC to ensure that licensees: (1) properly design and construct nuclear power plants and that they can be operated safely; (2) maintain adequate levels of protection of public health and safety at their operating facilities; (3) have trained and qualified operating personnel; (4) can and will take adequate protective measures in the event of a radiological emergency; and (5) deter, detect and protect against threats, radiological sabotage and theft or diversion of special nuclear materials.

The funding increase in FY 1989 will provide for full implementation of our requalification examination program to test reactor operators at least once during the six year term of their license. Also, it will reduce the growth in our operating reactor licensing backlog resulting from FY 1988 resource reductions.

Nuclear Safety Research

The Commission is committed to providing a strong leadership role in the planning and application of its safety research programs. We are implementing a series of actions to ensure integration of research and regulatory safety programs.

NRC's Research program has two major purposes. The first is to provide independent information and expertise needed to support our regulatory decision-making process. Such information must be independent in the sense that it is not derived solely from the information provided by licensees or license applicants, and that it can be validated through scientific peer review by impartial experts. The second purpose of Nuclear Safety Research is to identify and characterize technical uncertainties which may become important nuclear safety issues in the future. Through this process, work can be initiated early to resolve these new problems and thereby reduce the risk to public health and avoid unnecessary plant shutdowns.

The major emphasis of Nuclear Safety Research will continue to be the early identification and resolution of operational safety issues. The FY 1989 research efforts will also contribute to the technical basis the NRC needs to evaluate independently the adequacy of the Department of Energy's program for a geologic repository for high-level waste. We believe that a stable research program is essential for the Commission to carry out its responsibilities. However, between fiscal years 1981 and 1988, our research funds have been reduced by 50 percent. The completion of large research projects and joint programs with other organizations has helped mitigate the effect of these reductions, but our ability to deal with future nuclear power plant problems will be greatly impaired by continued erosion of our research program funding. Thus, our FY 1989 budget request includes increased resources to reverse this trend. The additional resources will be used to obtain the technical information necessary to ensure that critical plant components and safety systems will provide adequate reliability as operating nuclear power plants age; to complete experiments evaluating the performance of Babcock and Wilcox designed nuclear plants; to expand human factors research; to conduct experiments evaluating reactor containment building integrity under severe accident conditions; to evaluate the vulnerabilities of nuclear power plants as a result of severe accidents; and to develop more comprehensive regulatory guidance on radiation protection for workers and the public.

The Commission believes it mutually beneficial to expand, as much as practicable, the cooperative efforts between the NRC and the various industry organizations involved in nuclear safety research -- the Electric Power Research Institute, reactor owners' groups, vendors and other government agencies performing related work. Where cooperation is appropriate, we believe our efforts will have a broader level of exposure, better peer review and a greater level of acceptance. Also by spreading costs, cooperative safety research can be done in a more cost-efficient way.

The NRC also has numerous bilateral and multilateral agreements which include most of the free world foreign countries involved in nuclear safety research. In many cases, these agreements result in sharing of research costs and provide for a beneficial exchange of safety related information.

Nuclear Materials Safety and Safeguards Regulation

Nuclear Materials Safety and Safeguards Regulation encompasses the licensing and inspection of nuclear fuel cycle facilities, users of nuclear materials, and the transport of nuclear materials. There are approximately 8,200 licensees across the United States, ranging from very complex operations such as the manufacturing of reactor fuel and the production of medical radiopharmaceuticals to relatively simple operations such as the use of small quantities of radioisotopes in medical diagnosis. Approximately 15,000 similar licensees are regulated by the 29 states that have agreements with the NRC. In addition, the NRC evaluates both the domestic and foreign threat environment to ensure that the level of safeguards protection provided by our licensees is adequate.

We believe it is vital that we continue to make improvements in our program for regulatory oversight of these licensees since it is the use of these licensed nuclear materials that the average citizen is most likely to encounter. Most of the resource increase in FY 1989 is needed to improve regulatory oversight in this area and provide an adequate capability to analyze and respond to unanticipated events involving nuclear materials.

Nuclear Waste Regulation

Nuclear Waste Regulation is carried out to ensure that licensees safely manage, store and dispose of high level and low level radioactive wastes. The NRC's high level radioactive waste program has been adjusted in response to the Nuclear Waste Policy Amendments Act of 1987.

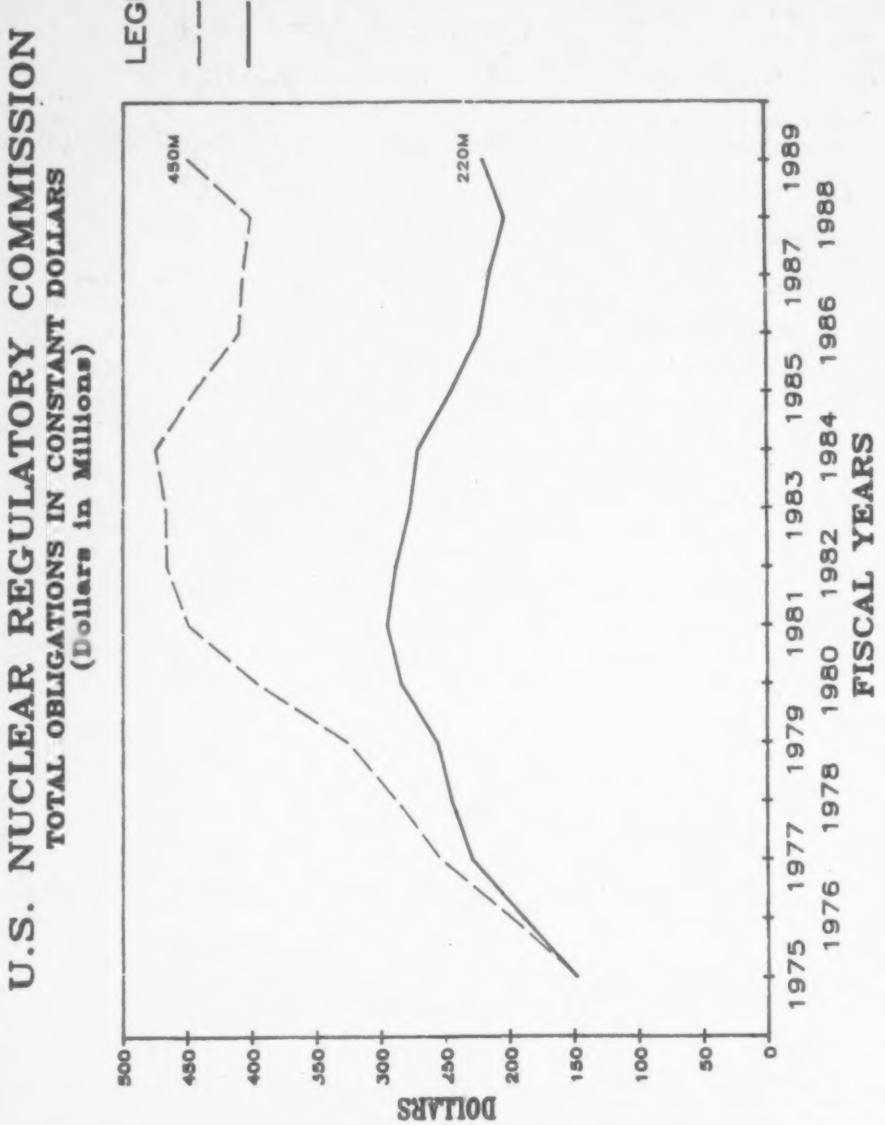
The major emphasis during FY 1989 will continue to be focused on implementing NRC's responsibilities under the Nuclear Waste Policy Act of 1982, as amended in 1987; the Low-Level Radioactive Waste Policy Act of 1980, as amended in

1985; and the Uranium Mill Tailings Radiation Control Act of 1978. To accomplish this, NRC must: ensure that appropriate guidance exists for both NRC and state licensing of low level waste disposal sites; be prepared to provide technical assistance to states in reaching decisions on such disposal sites; provide pre-licensing consultation to DOE on the high level waste repository; and be prepared to review DOE's license application for the high level waste repository. As you know, disposal of high level waste involves a complex, integrated system of waste handling, transportation, interim storage and ultimate deep geologic disposal requiring a high certainty of acceptable health and environmental impacts over thousands of years. Funding requirements for low-level waste regulation have increased slightly in FY 1989.

CONCLUSION

In closing, we want to strongly emphasize that it is essential for the NRC to have adequate resources to meet its responsibilities to protect the public health and safety. My fellow Commissioners and I believe that our FY 1989 budget request represents the resources needed to provide sound and credible regulation of the civilian uses of nuclear materials, commercial nuclear power generation and radioactive waste disposal. We urge your strong support for the full amount of our request.

APPENDIX 1



U.S. NUCLEAR REGULATORY COMMISSION
TOTAL OBLIGATIONS IN CONSTANT DOLLARS
(Dollars in Millions)

APPENDIX 2

Budget Resource Summary[1/]

	FY 1987		FY 1988		FY 1989	
	FTE	$	FTE	$	FTE	$
Reactor Safety and Safeguards Regulation	1,559	$142.3	1,537	$147.4	1,471	$151.6
Nuclear Safety Research	255	122.5	246	111.6	239	137.1
Nuclear Material Safety and Safeguards Regulation	282	23.9	261	24.5	271	30.6
Nuclear Waste Regulation	169	21.3	140	20.9	141	22.4
Special and Independent Reviews, Investigations and Enforcement	305	35.4	294	34.3	294	41.0
Nuclear Safety Management and Support	806	61.6	772	62.3	764	67.3
TOTAL	3,376	$407.0	3,250	$401.0	3,180	$450.0

[1/] Dollars are expressed in millions.

PREPARED TESTIMONY
SUBMITTED BY
UNITED STATES NUCLEAR REGULATORY COMMISSION

TO

COMMITTEE ON ENVIRONMENTAL AND PUBLIC WORKS
UNITED STATES SENATE

CONCERNING

PROPOSED SINGLE ADMINISTRATOR,
NUCLEAR SAFETY BOARD
AND
INSPECTOR GENERAL LEGISLATION

PRESENTED BY

COMMISSIONER KENNETH C. ROGERS

SUBMITTED: MARCH 2, 1988

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. DURING MY SIX MONTHS AS A COMMISSIONER, I HAVE CAREFULLY OBSERVED HOW THE NRC FUNCTIONS AND HOW IT IS VIEWED BY THE PROFESSIONAL WORLD, AND I HAVE EXAMINED TO SOME EXTENT THE CREDIBILITY OF THE CRITICISMS LEVELED AT IT. I HAVE BEEN MUCH ENCOURAGED BY WHAT I HAVE SEEN IN THE FIELD AND WHAT I HAVE SEEN WITHIN THE COMMISSION. I HAVE NOTED A BUILDING DEGREE OF COLLEGIALITY WITHIN THE COMMISSION DESPITE THE CONSTRAINTS OF THE SUNSHINE ACT. I HAVE NOT FOUND AN AGENCY FAILING IN ITS STEWARDSHIP IN PROTECTING THE HEALTH AND SAFETY OF THE PUBLIC, BUT RATHER ONE THAT HAS ACCOMPLISHED A GREAT DEAL AND IS TODAY EFFECTING SIGNIFICANT SAFETY IMPROVEMENTS IN THE INDUSTRIES IT OVERSEES.

IT IS TRUE THAT EXAMPLES CAN BE FOUND TO SHOW WHAT WOULD APPEAR TO BE INORDINATE DELAYS IN THE LICENSING PROCESS, BUT IT IS MY UNDERSTANDING THAT MUCH OF SUCH DELAYS IS DIRECTLY ATTRIBUTABLE TO CIRCUMSTANCES BEYOND THE CONTROL OF THE COMMISSION. THESE INCLUDE REQUIREMENTS IMPOSED BY CONGRESS, AND INTERNAL PROCEDURES THE AGENCY HAS ADOPTED TO BE RESPONSIVE TO THE CONGRESS, THE PUBLIC AND THE COURTS. WITHOUT LICENSING REFORM LEGISLATION IT IS DIFFICULT TO SEE HOW THE PROCESS ITSELF WOULD BE ENHANCED BY A CHANGE IN THE NRC ORGANIZATIONAL STRUCTURE.

MUCH HAS BEEN SAID WITH RESPECT TO PROPOSED ORGANIZATIONAL LEGISLATION THAT THE PROCESSES OF THE NRC WOULD BE GREATLY IMPROVED BY A CHANGE IN ITS STRUCTURE. I BELIEVE IT IS ILLUSORY TO THINK THAT THE ESTABLISHMENT OF SINGLE ADMINISTRATOR AGENCY GOVERNANCE WILL CURE THE ILLS SO GRAPHICALLY DEPICTED.

I HAVE SEEN NO CONVINCING EVIDENCE IN RECENT HISTORY THAT ANY ONE TYPE OF ORGANIZATIONAL STRUCTURE IS NOTABLY MORE EFFECTIVE THAN ANY OTHER. RATHER, IT IS THE QUALITY, CAPABILITY AND DEDICATION OF THE INDIVIDUALS WHO RUN THE ORGANIZATIONS THAT DETERMINE THE RESULTS. BOTH SINGLE ADMINISTRATOR AGENCIES AND COMMISSIONS HAVE HAD THEIR SUCCESSES AND FAILURES. WHAT A SINGLE ADMINISTRATOR AGENCY MAY GAIN IN ACCOUNTABILITY AND PERHAPS SOME MARGINAL INCREASE IN EFFICIENCY, CAN BE LOST IN POLITICIZATION, DECREASED PUBLIC OPENNESS, LOSSES IN CONTINUITY OVER CHANGING ADMINISTRATIONS, AND LESS LIKELIHOOD OF INCLUSION OF THE FULL RANGE OF POLICY OPTIONS.

WE ALL, I BELIEVE, RECOGNIZE THE VERY COMPLEX NATURE OF NUCLEAR TECHNOLOGY AND THE FALLIBILITY OF THE INDIVIDUAL -- WHETHER HE OR SHE BE A LICENSED OPERATOR OF A NUCLEAR POWER STATION, A LICENSED THERAPIST ADMINISTERING A RADIOPHARMACEUTICAL TO A PATIENT, OR THE SINGLE ADMINISTRATOR OF A FEDERAL AGENCY WHOSE MANDATE IS PROTECTION OF PUBLIC HEALTH AND SAFETY. A PLURALITY OF INDIVIDUALS THAT IS, A COLLEGIAL BODY, IS A TIME-HONORED MEANS TO ESTABLISH SOUND BASES FOR FORMULATING EFFECTIVE AND EFFICIENT REGULATORY POLICIES WHEN EXPERIENCE IS LACKING.

AFTER THIRTY YEARS IN THE ACADEMIC WORLD, I HAVE A FAIR APPRECIATION OF WHAT COLLEGIALITY SIGNIFIES. BASICALLY, IT IS AN ATMOSPHERE WHICH PROVIDES AN OPPORTUNITY FOR THE CLASH OF COMPETING IDEAS AS WELL AS THE REINFORCEMENT OF CONSISTENT VIEWPOINTS. COLLEGIALITY DOES NOT REQUIRE AN OPEN FORUM. IT IS BEST ACHIEVED AND MOST VALUABLE WHEN UNINHIBITED BY EXCESSIVE FORMALISMS. I HAVE BEEN IMPRESSED BY THE INCISIVE COLLEGIAL REVIEW GIVEN TO SEVERAL RECENT IMPORTANT MATTERS DIRECTLY RELATED TO THE

COMMISSION'S PRIMARY FUNCTION AS GUARDIAN OF PUBLIC HEALTH AND SAFETY. AS A RESULT OF SUCH REVIEWS STAFF RECOMMENDATIONS WERE CAREFULLY EVALUATED AND SUBSTANTIVE CHANGES WERE MADE WHICH, IN MY OPINION, IMPROVED THE PROPOSED COMMISSION ACTION. RECENT EXAMPLES OF SUCH COLLEGIAL REVIEWS AND THE RESULTING RECOMMENDATIONS BY THE COMMISSIONERS INCLUDE:

- FINANCIAL STABILITY OF THE DECOMMISSIONING FUND IN A PROPOSED DECOMMISSIONING RULE.
- CHANGES TO A PROPOSED MAINTENANCE RULE.
- REVISIONS TO THE COMMISSION'S EMERGENCY PLANNING RULE RELATIVE TO STATE AND LOCAL GOVERNMENTS.

IN A NUMBER OF AREAS THE COMMISSION WILL BE FACING NEW FAR-REACHING POLICY ISSUES IN THE NEXT FEW YEARS. IF IT IS THE VIEW OF CONGRESS THAT A FUTURE GENERATION OF NUCLEAR REACTORS SHOULD BE DEVELOPED, AND THAT LICENSING DECISIONS MUST BE MADE ON WASTE DISPOSAL AND ON OTHER ISSUES, A COMMISSION STRUCTURE MAY BE BEST. I DO NOT BELIEVE THERE ARE ANY ADVANTAGES OF A SINGLE ADMINISTRATOR AGENCY THAT CANNOT ALSO BE ATTAINED WITHIN A COMMISSION STRUCTURE. OF COURSE, OPERATIONAL LINE MANAGEMENT RESPONSIBILITY AND ACCOUNTABILITY MUST BE VESTED IN A SINGLE INDIVIDUAL WITHIN A COMMISSION. A POLICY AND ADJUDICATORY BOARD CANNOT PROVIDE THE DAY-TO-DAY SUPERVISION THAT IS NECESSARY NOR CAN IT MAKE THE DAILY OPERATIONAL DECISIONS THAT MUST BE MADE FOR THE ORGANIZATION TO RUN SMOOTHLY AND EFFICIENTLY. THE CHAIRMAN OF THE COMMISSION UNDER CURRENT

STATUTE IS THE PRINCIPAL EXECUTIVE OFFICER WHO IS CHARGED WITH TRANSLATING POLICY INTO OPERATIONAL DECISIONS. A SUITABLY CONSTITUTED COMMISSION CAN DISCIPLINE ITSELF TO ACT AT THE FASTEST PACE THE LAW ALLOWS.

MY MOST SERIOUS CONCERNS REGARDING A CHANGE FROM COMMISSION TO SINGLE ADMINISTRATOR GOVERNANCE AT THIS TIME IS THAT SUCH A CHANGE MAY DIVERT ATTENTION FROM THE LEGISLATIVE ACTION NEEDED TO IMPROVE AND STREAMLINE NUCLEAR REGULATORY PROCESSES, DISRUPT REGULATORY STAFF'S ABILITY TO FUNCTION AT ITS PEAK, PROVIDE AN OPPORTUNITY FOR THOSE LICENSEES SO INCLINED TO GO SLOWLY ON ACTIONS WHICH IMPROVE SAFETY BUT ARE NOT YET REQUIRED, AND MAY CREATE A SERIOUS LEADERSHIP VACUUM DURING A PROLONGED TRANSITION PERIOD. I AM NOT OPPOSED TO A SINGLE ADMINISTRATOR ORGANIZATION, BUT I AM ALSO NOT PERSUADED THAT THE EXPECTED IMPROVEMENTS THAT HAVE PROVIDED THE MOTIVATION FOR A CHANGE WILL OCCUR.

IN SUMMARY, IF NUCLEAR REGULATION WERE TO BECOME ESSENTIALLY A CARETAKER FUNCTION FOR A SLOWLY DIMINISHING NUMBER OF OPERATING PLANTS, THEN A SIMPLER ORGANIZATION, SUCH AS A SINGLE ADMINISTRATOR AGENCY, MAY BE ENTIRELY ADEQUATE. HOWEVER, IF CONGRESS AND THE PEOPLE WISH TO LOOK TO FUTURE NUCLEAR OPPORTUNITIES THROUGH FUTURE NUCLEAR TECHNOLOGIES, THEN THERE ARE ADVANTAGES TO RETAINING THE DIVERSITY OF A COMMISSION.

ON THE SUBJECTS OF A NUCLEAR SAFETY BOARD AND INSPECTOR GENERAL, I AGREE WITH THE VIEWS OF MY FELLOW COMMISSIONERS AS EXPRESSED BY CHAIRMAN ZECH.

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

CHAIRMAN

May 27, 1988

The Honorable John B. Breaux, Chairman
Subcommittee on Nuclear Regulation
Committee on Environment and Public Works
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

I am enclosing the Commission's responses to the questions posed by Senator Mikulski as forwarded by your letter of April 15, 1988. It is our understanding that the responses to these questions will also be made a part of the record of the Committee's March 2, 1988 hearing on NRC's Fiscal Year 1989 budget request.

Sincerely,

Lando W. Zech Jr.

Lando W. Zech, Jr.

Enclosure:
As stated

cc: Senator Alan Simpson

QUESTION 1A. **What criteria will be applied by the NRC for measuring the changes that need to be taken before the Peach Bottom nuclear plant can be restarted?**

ANSWER.

When a facility such as Peach Bottom Atomic Power Station (PBAPS) is shut down for safety reasons, the NRC determines specific corrective actions that must be satisfactorily implemented before the plant can be permitted to restart. In the case of Peach Bottom, substantial changes are needed in personnel, organizational interactions, and procedural implementation at all levels of the Philadelphia Electric Company (PECo) organization. PECo's "Plan for Restart" is the blueprint for the needed changes. Once accepted by the NRC as a satisfactory plan of action to bring about the needed changes at Peach Bottom, fulfillment of the requirements of this plan become the essential "restart criteria". The NRC uses the utility recovery plan as a basis when evaluating restart readiness. The NRC staff determines the effectiveness of the recovery plan's implementation and whether it is having the desired effect in correcting the problems that have been identified at Peach Bottom.

PECo has submitted its plans to NRC for review. Their recently revised "Plan for Restart of Peach Bottom Atomic Power Station" is currently under review by the staff. The staff's review, which is based on the NRC's rules, regulations, standards, license conditions, and licensee commitments, will ensure that the PECo plan meets the requirements of the NRC Order that shut down PBAPS. NRC is closely monitoring PECo actions to implement its plan and to prepare PBAPS for return to service.

In its review of the PECo plan, the staff is considering NRC concerns which resulted in the Order, concerns subsequently identified by NRC and the Institute for Nuclear Power Operations, and other concerns raised by government officials and members of the public. The staff is giving particular attention to the following aspects:

1. Proposed Corrective Actions

   The root cause of problems and events leading to the shutdown must be properly identified and comprehensive corrective actions determined. The plan must provide for implementation and verification of corrective actions.

2. Licensee Management Organization

   PECo's management organization must provide the necessary resources and an appropriate climate to nurture the safety culture that must exist at an operating nuclear power plant. The station and corporate organizations must demonstrate that they can effectively communicate, coordinate, integrate, and prioritize safety objectives such that they are achieved in a manner commensurate with that necessary for safe operation.

   PECo must further demonstrate that it has an appropriate appreciation of issues of safety significance and a positive attitude toward resolving such issues. This requires sufficient numbers of qualified and experienced personnel be provided for all key positions, including management and licensed operators. The organization must demonstrate its ability to work as a team, to provide strong engineering support for plant activities, to identify and correct safety problems and to verify implementation and effectiveness of corrective actions, and must possess an active and effective self-assessment capability.

3. Operations Staff

The individuals licensed by NRC to operate PBAPS must fully recognize and diligently carry out the responsibilities bestowed upon them by this agency in their individual licenses. Each individual must display a positive attitude toward safety in all aspects of plant operations, including attentiveness to duty and fitness for duty.

4. Plant Readiness

The licensee must demonstrate that all safety equipment meets NRC requirements for operability, including surveillance test requirements, prior to restart. All outstanding safety-related maintenance work should be complete and the backlog of other maintenance work reduced to a level commensurate with a high state of operation readiness. Consideration will also be given to PECo's ability to maintain their maintenance backlog at a level consistent with sustained safe operation.'

QUESTION 1B. How will the NRC determine and apply these criteria?

ANSWER.

As discussed in the response to Question 1A, the NRC approved "Plan for Restart" will form the basis for these criteria. The criteria will be applied by evaluating the implementation of PECo's "Plan for Restart", when it is ultimately accepted by the NRC. Not only must all elements of the plan be implemented by PECo, but the implementation must be done in an effective manner which gives a high degree of assurance that past problems are corrected and that they will not recur. In this regard, the NRC will rely on its extensive past experience in evaluating technical, managerial, and operational programs at nuclear facilities.

For example, since plant management and leadership skills were of concern, the staff will be reviewing the qualifications of and training provided to plant management personnel. The effectiveness of the human relations training provided to operations personnel is being assessed both by reviews of the program content and by conferences with operations personnel to determine its expected effect on future levels of performance. The revised corporate management structure, membership, and self-assessment capabilities are being reviewed to assess the expected ability to recognize and act upon future problems. NRC team inspections will assess the physical readiness of the plant by conducting maintenance program inspections and operational readiness inspections.

QUESTION 1C. What will the involvement of the public be in the restart decision?

ANSWER.

Numerous meetings have been held with the licensee, state and local governmental groups, and with the public since the shutdown of the PBAPS. The Commonwealth of Pennsylvania and the State of Maryland have been given an opportunity to comment on the "Restart Plan", which, as discussed in Question 1A, defines the restart criteria. Similarly, comments have been solicited at the series of public meetings that have been held in Pennsylvania and Maryland. Thus, by being afforded an opportunity to comment on the restart criteria, the public has been able to participate in the restart evaluation.

QUESTION 2. In November of last year, PECo submitted their original plan for the restart of Peach Bottom. On January 11 of this year, the Institute of Nuclear Power Operations (INPO) issued a report that was highly critical of the PECo plan, stating that it was "insufficient to bring about the necessary change." What actions have been taken by PECo since that time and have these actions been deemed adequate to address and correct the problems that have been identified by either the NRC or INPO?

ANSWER.

It must be recognized that there have been several versions of the PECo "Plan for Restart". None of these has been accepted by the NRC as being wholly satisfactory and responsive to the Order. The INPO report was highly critical of an interim version of the "Plan for Restart" and INPO's conclusions and recommendations were similar to concerns raised by the NRC during its review of the several versions of the "Plan for Restart". As the process has unfolded, both NRC and INPO have submitted their concerns to PECo for resolution.

The initial corrective action plan was submitted by the licensee in August 1987 and was followed by a staff position in October 1987 that stated that the Plan failed to address a fundamental staff concern. In November 1987, the licensee submitted Section I of its revised corrective action "Plan for Restart" in response to the issue raised by the staff. In February 1988, the licensee completed the plan with the submittal of Section II, which addressed actions specific to the onsite organization and the plant.

The licensee's actions in response to the INPO report were discussed in their letter of April 8, 1988, which submitted Revision 1 of the "Plan for Restart." The licensee indicated that they had incorporated the second and third recommendations of the INPO letter into the revised plan. These recommendations dealt with minimizing actions that bypassed or undermined line management and with establishing accountability for the unsatisfactory situation that had developed over a period of years.

The licensee also stated in the April 8 letter that an independent consultant had been retained to respond to INPO's first recommendation that a detailed analysis of the licensee's internal investigation material should be developed.

By letter dated March 4, 1988, the staff requested that any information PECo provided to INPO in response to the issues in the INPO report also be provided to NRC and that the NRC be apprised of the results of INPO evaluations prior to restart.

The staff is continuing its review of the revised "Plan for Restart" and will review the information requested by its March 4, 1988, letter upon receipt from the licensee. The NRC will complete its evaluation when all appropriate information and plan revisions have been received from PECo.

QUESTION 3A. It is my understanding that there are numerous maintenance items outstanding at Peach Bottom. In fact, it is my understanding that there are over 1,500 items in need of maintenance activities of one sort or another. How many outstanding maintenance items does the NRC believe exist at the plant?

ANSWER.

As of April 21, 1988, the licensee's records indicate that there are approximately 11,200 open maintenance items at the Peach Bottom facility. These open items include corrective maintenance, preventive maintenance, facility enhancements, and the routine refurbishment of structures, systems, and components. Of these open items, about 3,200 are for work on safety-related equipment. Some of the open items (2,700 of the 11,200) have been completed except for testing which cannot be accomplished in the present plant condition (e.g., some components must be tested at elevated plant temperatures or in system configurations not permitted in the present shutdown condition). It should be noted that these numbers are changing daily based on work activities that are ongoing at the facility.

QUESTION 3B. Please explain why there are so many outstanding maintenance items?

ANSWER.

During periods of operation, any plant accumulates a backlog of outstanding maintenance items that can or must be deferred until an outage. When a plant shuts down for a major outage, additional preventive maintenance items that must be completed during the outage are added to the backlog. Moreover, potential problems identified to the utility by the NRC or the industry that require maintenance actions to investigate and repair as necessary frequently add to the backlog. For example, a generic industry problem with a particular type of valve, of which there may be several hundred in the plant, could lead to several hundred maintenance items to inspect and repair or modify the identified condition. During an outage, maintenance activities would be scheduled to accomplish tasks on safety-related equipment as a high priority. Accordingly, some open maintenance items on non-safety-related equipment, which have no impact on the safety or reliability of plant operations, have a low priority and may be deferred until a subsequent outage. Therefore, these low priority items also contribute to the backlog. As indicated in the response to Question 3A, the maintenance backlog is also influenced by the inability to complete the testing of some components due to existing plant conditions. Although the numbers of outstanding maintenance items is large, the fact that 10,500 maintenance activities were completed during the last Peach Bottom SALP period from February 1986 to May 1987 may help to put the current number of 11,200 into perspective.

QUESTION 3C. Are the number of outstanding maintenance items at the Peach Bottom plant above average, average, or below average for the industry as a whole?

ANSWER.

There are always a number of outstanding maintenance items at any nuclear power plant, including preventive and corrective maintenance actions, facility enhancements and routine refurbishment of structures, systems, and components. However, since each utility has a different approach to identifying and tracking maintenance activities, comparing the numbers of outstanding maintenance items between individual plants is not always meaningful. For instance, the administrative controls at one utility may designate a separate open item for each maintenance activity, while another utility may consolidate several related maintenance activities into a single open item. Thus, the first utility may initiate several maintenance items for a specific activity, (i.e., correction of leaking valves) while the second utility may initiate a single maintenance item for the same activity. For the reasons stated above, it is difficult to compare Peach Bottom with the industry as a whole.

QUESTION 3D. Please provide a list of those outstanding maintenance items that the NRC believes have a significant safety related implication.

ANSWER.

A complete list of outstanding maintenance items was forwarded earlier at your request. The NRC believes the majority of the 3,200 safety related items identified on that list are significant. The licensee plans to complete all of these items before a request to restart each respective unit is made. As noted in the response to Question 3A, some of these items may continue to be outstanding because testing must be delayed until appropriate plant conditions are achieved.

QUESTION 3E. What type of improvements in the maintenance program at Peach Bottom will the NRC insist on before it allows the plant to reopen?

ANSWER.

As explained in the answer to Question 1A, the NRC staff's review of the PECo restart plan is giving particular attention to plant readiness, including equipment operability, maintenance backlog, and sufficiency of maintenance resources. The NRC will evaluate PECo's effectiveness in implementing the approved plan prior to any restart decision on Peach Bottom.

In addition, on March 23, 1988 the Commission issued its Policy Statement on Maintenance of Nuclear Power Plants. This policy statement identifies the activities that form the basis of an adequate maintenance program and provides guidance to the industry on improving maintenance programs. We will also review the Peach Bottom maintenance program in light of this policy statement. A team inspection will complete a programmatic review by evaluating maintenance and post-maintenance testing records, witnessing selected maintenance and post-maintenance testing activities, and inspecting the physical condition of equipment in the plant. A copy of the Commission Policy Statement on Maintenance of Nuclear Power Plants is enclosed for your information.

Enclosure:
As stated

QUESTION 4A.	Employees at Peach Bottom have been indicted for possession and/or use of illegal substances while on the job. How does the NRC propose to correct the problem of drug abuse at Peach Bottom?

ANSWER.

PECo, not the NRC, must correct the problem of drug abuse at Peach Bottom. The NRC expects licensee management to aggressively address and resolve drug abuse problems at all nuclear power plants. In addition to implementation of industry wide programs, such as preemployment and for-cause drug testing, PECo has taken additional steps to correct the problem at Peach Bottom. These extra measures include annual drug testing, undercover investigations, searches of the plant by trained dogs, and a policy which encourages confidential reporting of drug involvement by concerned co-workers. NRC will continue to monitor activities at Peach Bottom to ensure that responsible actions are taken when management becomes aware of any case of drug involvement. A proposed rulemaking being developed by the NRC staff would further strengthen the ability of PECo and other utilities to identify and correct drug abuse problems by requiring random testing programs and by prescribing sanctions against those individuals possessing or using drugs while on the job at nuclear power plants.

QUESTION 4B. Is PECo's fitness-for-duty program adequate to detect drug abuse at Peach Bottom?

ANSWER.

As described in the answer to Question 4A, the fitness-for-duty program at Peach Bottom includes those basic elements that are expected to be implemented at all operating nuclear power plants, as well as additional measures which go beyond basic programs. The basic program includes such elements as worker training in drug awareness and company policy, supervisory training in behavioral observation, availability of an employee assistance program, and drug testing on a preemployment and for-cause basis. Based on the results of the program and an NRC inspection of the program, we conclude that Peach Bottom has implemented an adequate program to detect drug abuse. Nevertheless, in order to provide additional assurance that all nuclear power plant operations are free of the effects of drugs, the Commission is initiating rulemaking that would require random, unannounced drug testing as an additional measure to deter and detect abuse.

QUESTION 5A. What is the status of the NRC's current efforts to curtail drug abuse by personnel at nuclear power plants?

ANSWER.

In order to provide additional assurance that all nuclear power plant operations are free of the effects of drugs, the Commission is initiating rulemaking that would require random, unannounced drug testing as an additional measure to deter and detect abuse. The regulations will be issued as a proposed rulemaking for public comment within the next several months. Until such time as these new regulations are promulgated in final form, the Commission's 1986 Policy Statement on Fitness for Duty of Nuclear Power Plant Personnel remains in effect. In accordance with this policy, each nuclear utility has implemented a fitness-for-duty program in accordance with guidelines developed by the Edison Electric Institute.

QUESTION 5B.	Does the NRC believe that its current policy is an adequate way to implement fitness-for-duty programs, including drug testing, at nuclear power plants?

ANSWER.

The Commission believes that fitness-for-duty programs established by the nuclear industry over the past several years have been successful and responsive to its Policy Statement. Under this policy, significant progress has been made in establishing an environment in which nuclear power plant operations are free of the adverse effects of drugs. However, the Commission has concluded that federal regulations are needed to ensure uniform standards and practices and to include random drug testing as an element of fitness-for-duty programs.

QUESTION 5C.	What is the NRC's position on random testing?

ANSWER.

The Commission believes that random drug testing represents an important element of a comprehensive program needed to deter drug use and to detect drug users in the workplace. Random testing provides reasonable assurance that workers are not under the influence of drugs and are fit to perform their duties. A program that includes random testing to both deter and detect drug abuse is considered to be especially important at operating nuclear power plants, where the actions of individuals could potentially impact the public health and safety.

QUESTION 5D.	How many nuclear power plants have random testing programs in place?

ANSWER.

The Commission understands that 22 of the 54 nuclear utilities utilize random chemical testing. This information is based upon a recent survey of drug testing programs conducted by the Institute of Nuclear Power Operations (INPO). Some utilities have attempted to initiate random testing, but have thus far been unsuccessful because of legal challenges.

QUESTION 5E. How many incidents, nationwide, of drug abuse at nuclear power plants is the NRC aware of? Is the problem getting worse or better over the past five years?

ANSWER.

The following number of drug abuse incidents (occurring both on site and off site) have been reported to NRC since 1984. Some of the reported incidents involved more than one individual:

YEAR	NUMBER OF REPORTS
1984	26
1985	30
1986	44
1987	115
1988	31 (though mid-April)

Formal NRC guidance to licensees on the reporting of drug abuse at operating nuclear power plants was issued in mid-1987. Prior to that time, there was no NRC guidance on reporting drug abuse incidents. Therefore, the incidents shown for the years 1984-1986 resulted from the voluntary reporting of some incidents, often informally through NRC resident inspectors.

The Commission does not have sufficient quantitative data to conclusively evaluate the five year trend of drug abuse at nuclear power plants. While the number of incidents (each involving one or more individuals) reported to the NRC over the past five years has clearly increased during 1987 and early 1988, it is the sense of the Commission that this trend in reports is probably attributable to (1) the establishment of formal fitness-for-duty programs, including for-cause testing and some random testing during 1985 and 1986, and (2) the promulgation of formal NRC guidance on reporting of drug abuse cases at operating nuclear power plants during 1987.

QUESTION 6A. Over the past few years, Peach Bottom has been issued hundreds of thousands of dollars in fines and has been listed by the NRC as one of the worst run plants in the U.S. Nevertheless, NRC inspectors never detected operators asleep, literally at the switch. It is further my understanding that power stations that are known as problem plants are assigned additional hours of inspection by the NRC. Is that correct?

ANSWER.

The performance at this plant has been of concern to the NRC for quite some time as evidenced, for example, by the assessment of six civil penalties against the licensee for various violations of NRC regulatory requirements since March 1983. Issues that continued to be of concern were identified in June 1986 in the staff's Systematic Assessment of Licensee Performance (SALP) report, which concluded that management involvement and effectiveness towards improving activities had not been evident. An NRC inspector did observe one case of a Peach Bottom operator apparently sleeping on watch at about 5:00 a.m. on June 10, 1985. The incident was represented by PECo to the NRC in an enforcement conference as a unique isolated event. NRC believed this to be the case. In the past, incidents of sleeping or inattentiveness of licensee personnel have been difficult for NRC inspectors to detect because licensee employees may have been notified or otherwise became aware of NRC's presence onsite. The NRC has issued a proposed rule which would ensure that the presence of NRC inspectors on site is not announced or otherwise communicated to licensee and contractor personnel without the expressed request to do so by the inspector. This change will allow NRC inspectors who are badged at the facility to observe ongoing activities as they are being performed, without possible changes to attention and performance levels based on employees' knowledge of NRC surveillance and should enhance NRC's ability to detect problems such as that which occurred at Peach Bottom.

QUESTION 6A. (Continued) - 2 -

Because of the poor SALP ratings, inspection hours were increased at Peach Bottom, as they would be at any problem plant. In addition, the number of resident inspectors was increased from two to three late in 1986, and a fourth inspector was assigned for the months of January and February 1987.

As a point of comparison, we are providing the following information. Available NRC inspection resources in the Region I (Philadelphia) office are allocated among 29 power reactor units located at 20 reactor sites. Three of these sites (Peach Bottom, Calvert Cliffs, Salem) are somewhat similar in that each site has two large reactor units which have been in commercial power operation for more than five years. The following table shows the approximate number of NRC inspection hours devoted to these three sites from 1982 through 1987. The inspection hours for calendar years 1985 and 1987 are split to show the "before" and "after" hours associated with Peach Bottom events involving an inattentive operator in early 1985 and the plant shutdown in early 1987:

DIRECT INSPECTION HOURS

PLANT	1982	1983	1984	1985 (3 MO)	1985 (9 MO)	1986	1987 (3 MO)	1987 (9 MO)
Peach Bottom	4,019	2,729	2,423	1,786	3,778	3,724	994	4,871
Calvert Cliffs	3,930	2,973	3,042	667	2,749	2,997	329	2,525
Salem	3,684	3,420	3,441	977	2,476	2,258	602	2,620
3 Site Avg.	3,878	3,041	2,969	1,143	3,001	2,993	642	3,339

The above data shows that, during 1982, NRC's inspection resources at these three similar facilities were allocated on approximately an even basis. Operational events involving the failure of the reactor protection system at Salem in early 1983 resulted in inspection emphasis at this facility during 1983 and 1984. Since 1984, indications of operational problems at Peach Bottom have in each year resulted in additional NRC inspection effort beyond that applied to Calvert Cliffs or Salem.

These figures speak to the relative inspection efforts at three Region I facilities. The absolute level of inspection at any facility during any given year is also dependent upon regulatory performance and the status (construction, preoperational testing, startup, operations) of the other 23 power reactor units in Region I.

QUESTION 6B. At the time of Peach Bottom's shutdown, had the number of inspectors on site been increased to reflect the situation -- that is, the poor performance and violations at the plant? If not, why not?

ANSWER.

As indicated in Question 6A above, NRC increased the number of resident inspectors from two to three in late 1986. Also, the number of specialist inspections was increased. On March 24, 1987, the NRC received an allegation that operators were sleeping on duty and immediately stationed inspectors in the control room around the clock. The allegation was investigated and substantiated, and the plant was shut down on March 31, 1987. At midnight on April 2, 1987, the 24-hour inspector coverage was stopped.

QUESTION 6C. Did NRC inspectors know about the problems that led to the shutdown? When did they become aware of these problems?

ANSWER.

Although the NRC inspectors were aware of problems of poor performance at Peach Bottom for some time, they were not aware of pervasive licensed operator inattentiveness on the backshift until an allegation was received on March 24, 1987.

QUESTION 6D. When the NRC inspectors became aware of the problems, did they report them? When? To whom?

ANSWER.

The NRC inspectors were aware of the problems of poor performance at Peach Bottom for some time. The findings of the Resident Inspectors were reported to NRC Region I management in their routine monthly inspection reports. Several other specialist inspection teams were sent to Peach Bottom in 1985-87, and their findings were reported to NRC management in formal inspection reports. As stated in the answer to Question 6C, the NRC inspectors were not aware of pervasive licensed operator inattentiveness on the backshift until an allegation was received in the NRC Incident Response Center at Headquarters on March 24, 1987.

QUESTION 6E. Were these reports read at the regional level?

ANSWER.

The Regional offices maintain very close contact with the site resident inspectors and a current knowledge of the problems and activities at each site. Resident inspector and specialist inspector inspection reports are reviewed and approved by at least two levels of management at the Region. In the Peach Bottom case, the inspectors' findings were reviewed and discussed among senior NRC managers on a regular basis.

QUESTION 6F. If the reports were being read at the regional level, were the personnel at the regional office relaying the information to headquarters? Why did it take the NRC so long to take action against the plant?

ANSWER.

As stated in the answer to Question 6E, the senior managers in NRC Headquarters and Region I regularly reviewed the reports about problems at Peach Bottom, including the findings of NRC inspectors. As a result of these meetings, NRC increased its inspection coverage of Peach Bottom and met with licensee senior management in August 1986 in Bethesda, Maryland, to clearly state its concerns and demand that improvements be made in operations at the site.

When the NRC identifies long-standing, poor performance trends at a nuclear power plant, the first step is to increase inspection activities and also meet with licensee management to determine what the problem is and how the licensee proposes to correct it. Far-reaching NRC actions, such as ordering a plant shut down, are not usually taken unless other enforcement avenues (e.g., management or enforcement conferences, civil penalties for identified violations) have been exhausted or unless a specific condition exists that is in itself clearly adverse to nuclear safety. In late 1986, Peach Bottom was clearly identified as a poor performer; however, it was the judgment of NRC management that Peach Bottom was sufficiently safe to justify continued operation while known conditions were being corrected. Once NRC substantiated operator inattentiveness as a condition adverse to safety, the staff acted promptly to order the plant shut down.

186, 234, 68 Stat. 955, 83 Stat. 444, as amended (42 U.S.C. 2236, 2282); sec. 206, 88 Stat. 1246 (42 U.S.C. 5846). Sections 2.600–2.606 also issued under sec. 102, Pub. L. 91-190, 83 Stat. 853 as amended (42 U.S.C. 4332). Sections 2.700a, 2.719 also issued under 5 U.S.C. 554. Sections 2.754, 2.760, 2.770 also issued under 5 U.S.C. 557. Section 2.790 also issued under sec. 103, 68 Stat. 936, as amended (42 U.S.C. 2133) and 5 U.S.C. 552. Sections 2.800 and 2.808 also issued under 5 U.S.C. 553. Section 2.809 also issued under 5 U.S.C. 553 and sec. 29, Pub. L. 85-256, 71 Stat. 579, as amended (42 U.S.C. 2039). Subpart K also issued under sec. 189, 68 Stat. 955 (42 U.S.C. 2239); sec. 134, Pub. L. 97-425, 96 Stat. 2230 (42 U.S.C. 10154). Appendix A also issued under sec. 6, Pub. L. 91-560, 84 Stat. 1473 (42 U.S.C. 2135). Appendix B also issued under sec. 10, Pub. L. 99-240, 99 Stat. 1842 (42 U.S.C. 2021b et seq.).

2. Section V.F. of Appendix C is revised to read as follows:

Appendix C—General Statement of Policy and Procedure for NRC Enforcement Actions

* * * * *

V. Enforcement Actions * * *

F. Reopening Closed Enforcement Actions

If significant new information is received or obtained by NRC which indicates that an enforcement sanction was incorrectly applied, consideration may be given, dependent on the circumstances, to reopening a closed enforcement action to increase or decrease the severity of a sanction or to correct the record. Reopening decisions will be made on a case-by-case basis, are expected to occur rarely, and require the specific approval of the Deputy Executive Director for Regional Operations.

* * * * *

Dated at Washington, DC, this 17th day of March 1988.

For the Nuclear Regulatory Commission.

Samuel J. Chilk,

Secretary of the Commission.

[FR Doc. 88-6333 Filed 3-22-88; 8:45 am]

BILLING CODE 7590-01-M

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10 CFR Part 50

Final Commission Policy Statement on Maintenance of Nuclear Power Plants

AGENCY: Nuclear Regulatory Commission.

ACTION: Final policy statement.

SUMMARY: The Commission believes safety can be enhanced by improving the effectiveness of maintenance programs throughout the nuclear industry. The Commission is proceeding with rulemaking consistent with this belief. This Policy Statement is being issued to provide guidance to the industry while the rulemaking proceeds.

EFFECTIVE DATE: This Final Policy Statement is effective March 23, 1988.

FOR FURTHER INFORMATION CONTACT: Jack W. Roe, Director, Division of Licensee Performance and Quality Evaluation, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, Washington, DC 20555, telephone (301) 492-1004.

Policy

Background

The Commission has a program to continually evaluate the operational performance of nuclear power plants. Analysis of operational events has shown that, in some cases, nuclear power plant equipment is not being maintained at a level which ensures, with a high degree of reliability, that the equipment will perform its intended function when required. A limited NRC examination of nuclear power plant maintenance programs has found a wide variation in the effectiveness of these programs. Inadequate maintenance at some plants has been a significant contributor to plant reliability problems and, hence, is of safety concern. The Commission believes safety can be enhanced by improving the effectiveness of maintenance programs throughout the nuclear industry. The Commission is proceeding with rulemaking consistent with this belief. This Policy Statement is being issued to provide guidance to the industry while the rulemaking proceeds.

Policy Statement

It is the objective of the Commission that all components, systems and structures of nuclear power plants be maintained so that plant equipment will perform its intended function when required. To accomplish this objective, each licensee should develop and implement a maintenance program which provides for the periodic evaluation, and prompt repair of plant components, systems, and structures to ensure their availability.

Definition of Maintenance

The Commission defines maintenance as the aggregate of those functions required to preserve or restore safety, reliability, and availability of plant structures, systems, and components. Maintenance includes not only activities traditionally associated with identifying and correcting actual or potential degraded conditions, i.e., repair, surveillance, diagnostic examinations, and preventive measures; but extends to all supporting functions for the conduct of these activities. These activities and functions are listed below under "Activities Which Form the Basis of a Maintenance Program."

Maintenance Programs

Each commercial nuclear power plant should develop and implement a well-defined and effective program to assure that maintenance activities are conducted to preserve or restore the availability, performance and reliability of plant structures, systems, and components. The program should clearly define the components and activities included, as well as the management systems used to control those activities. Further, the program should include feedback of specific results to ensure corrective actions, provisions for overall program evaluation, and the identification of possible component or system design problems.

Activities Which Form the Basis of a Maintenance Program

An adequate program should consider:

- Technology in the areas of
  —Corrective maintenance,
  —Preventive maintenance,
  —Predictive maintenance,
  —Surveillance;
- Engineering support and plant modifications;
- Quality assurance and quality control;
- Equipment history and trending;
- Maintenance records;
- Management of parts, tools, and facilities;
- Procedures;
- Post-maintenance testing and return-to-service activities;
- Measures of overall program effectiveness;
- Maintenance management and organization in the areas of
  —Planning,
  —Scheduling,
  —Staffing,
  —Shift coverage,
  —Resource allocation;
- Control of contracted maintenance services;
- Radiological exposure control (ALARA);
- Personnel qualification and training;
- Internal communications between the maintenance organization and plant operations and support groups;
- Communications between plant and corporate management and the maintenance organization.

Maintenance recommendations or requirements of individual vendors should receive appropriate attention in the development of the maintenance program.

Future Commission Action

The Commission intends this Policy Statement to provide guidance to the industry in improving maintenance programs for their power reactor facilities. The Commission will continue to enforce existing requirements including those that address maintenance practices and will take whatever action that may be necessary to protect health and safety.

The Commission expects to publish a Notice of Proposed Rulemaking in the near future that will establish basic requirements for plant maintenance programs. We believe that the contents and bounds of the proposed rule will fall within the general framework described in this Policy Statement.

Consideration will also be given to industry-wide efforts that already have been initiated. We encourage interested parties to provide their views on this important subject to the Commission, even at this early stage of the rulemaking process. Any notice of proposed rulemaking that is published will provide, of course, a period for public comment on its contents.

Dated at Washington, DC, this 17th day of March, 1988.

For the Nuclear Regulatory Commission.

Samuel J. Chilk,

Secretary of the Commission.

[FR Doc. 88-6334 Filed 3-22-88; 8:45 am]

BILLING CODE 7590-01-M

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket Number 86-ANE-21; Amdt. 39-5868]

Airworthiness Directives; General Electric (GE) CT7-5A, -5A1, and -5A2 Turbopropeller Engines as Installed in Saab-Fairchild SF340A Aircraft

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This amendment adopts a new airworthiness directive (AD) which requires the installation of a second overspeed protection system on certain GE CT7-5A series turbopropeller engines as installed in Saab-Fairchild SF340A aircraft. This AD also supersedes AD 86-10-51, Amendment 39-5473 (51 FR 44439; December 9, 1986). This AD is needed to prevent engine power turbine (PT) overspeed and resulting uncontained failure caused by reaction of the fuel control to an erroneous PT speed signal during ground operation with the bottoming governor (BG) enabled.

DATES: *Effective*—May 9, 1988.

Compliance Schedule—As prescribed in the body of the AD.

Incorporation by Reference—Approved by the Director of the Federal Register as of May 9, 1988.

ADDRESSES: The applicable service bulletins (SB's) may be obtained from Dowty Rotol Limited, Cheltenham Road East, Gloucester, England GL2 9QH; General Electric Company, 1000 Western Avenue, Lynn, Massachusetts 01910; and Saab-Scania AB, S-581 88, Linkoping, Sweden.

A copy of each SB is contained in Rules Docket Number 86-ANE-21, in the Office of the Regional Counsel, Federal Aviation Administration, New England Region, 12 New England Executive Park, Burlington, Massachusetts 01803, and may be examined between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT: Barbara Garian, Engine Certification Branch, ANE-141, Engine Certification Office, Aircraft Certification Division, Federal Aviation Administration, New England Region, 12 New England Executive Park, Burlington, Massachusetts 01803; telephone (617) 273-7089.

SUPPLEMENTARY INFORMATION: A proposal to amend Part 39 of the Federal Aviation Regulations (FAR) to include a new AD requiring the installation of a second overspeed protection system on certain GE CT7-5A series turbopropeller engines as installed in Saab-Fairchild SF340A aircraft was published in the Federal Register on October 16, 1987, (52 FR 38456).

The proposal was prompted by an engine PT overspeed and resulting uncontained failure caused by reaction of the fuel control to an erroneous PT speed signal during ground operation with the BG enabled.

Since this condition is likely to exist or develop on other engines of the same type design, a new AD is being issued that requires installation of a second overspeed protection system on GE CT7-5A series turbopropeller engines as installed in Saab-Fairchild SF340A aircraft. This AD also requires incorporation of engine BG deactivation switches in the power lever quadrant to prevent an adverse yaw condition in the aircraft that could occur due to a mismatched aircraft power condition resulting from an uncommanded power increase of one engine. This would also prevent the crew from misinterpreting the uncommanded power increase of one engine as a failure of the other engine. This AD supersedes AD 86-10-51, Amendment 39-5473 (51 FR 44439; December 9, 1986).

Interested persons have been afforded an opportunity to participate in the making of this amendment. No comments were received. Accordingly, the proposal is adopted without change.

AD 86-10-51, Amendment 39-5473 (51 FR 44439), issued November 18, 1986, requires that the engine BG be disabled when the aircraft power lever is positioned in the beta range (below flight idle). The AD was needed to prevent PT overspeed and resulting uncontained failure caused by reaction of the fuel control to an erroneous PT speed signal during ground operation with the BG enabled.

AD 86-10-51 provides interim instructions to prevent PT overspeed and uncontained failure. Since these instructions require special aircraft and engine operating procedures which increase crew workload and invalidate the constant torque on takeoff function, the FAA has determined that a second overspeed protection system with an improved level of safety precludes the need for these interim instructions and returns the aircraft and engine to pre-AD 86-10-51 operation.

Conclusion

The FAA has determined that this regulation affects 107 aircraft all of which are in compliance with this AD. Therefore, I certify that this action (1) is not a "major rule" under Executive Order 12291; (2) is not a "significant rule" under DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979); (3) does not warrant preparation of a regulatory evaluation as the anticipated impact is minimal; and (4) will not have a significant economic impact, positive or negative, on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR Part 39

Engines, Air transporation, Aircraft, Aviation safety, Incorporation by reference.

Adoption of the Amendment

Accordingly, pursuant to the authority delegated to me, the Federal Aviation Administration (FAA) proposes to amend Part 39 of the Federal Aviation Regulations (FAR) as follows:

PART 39—[AMENDED]

1. The authority citation for Part 39 continues to read as follows:

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

CHAIRMAN

March 17, 1988

The Honorable Alan K. Simpson
Subcommittee on Nuclear Regulation
Committee on Environment and Public Works
United States Senate
Washington, D. C. 20510

Dear Senator Simpson:

Enclosed are the responses to the questions that you posed in your March 3, 1988 letter to the Nuclear Regulatory Commission. Since some of the information and documents provided in response to Question 9 have not been publicly disclosed, we request that you preserve their confidentiality through restricting access and use to the Members and Staff of the Subcommittee.

If I can be of further assistance to you, please do not hesitate to contact me.

Commissioner Bernthal does not concur in the responses to Questions 7 and 10.

Sincerely,

Lando W. Zech, Jr.

Enclosure:
Responses to Questions

cc: Senator John B. Breaux

QUESTION 1. Please provide me with an analysis of the constitutionality of the legislation reported by the Subcommittee to reform and reorganize the Commission (a copy of which is attached). I am particularly interested in your views on whether there are any constitutional infirmities in either Subtitle A of Title I, establishing a new Nuclear Safety Agency, or Subtitle D of Title I, establishing a new Nuclear Reactor Safety Investigations Board.

ANSWER.

It is our understanding that your Subcommittee has also requested a constitutional analysis from the Department of Justice. That Department has the responsibility for providing the Government's views on the type of constitutional questions raised by the reorganization legislation. Accordingly, we take no position on the constitutionality of the proposed legislation.

QUESTION 2. Please provide me copies of all correspondence, formal, and informal, between the Commission and the Office of Management and Budget since November 1, 1987 on the subject of reorganization and reform of the Commission, including any communications on the subject of the constitutionality of the reforms currently under consideration by the Committee.

ANSWER.

We provided this correspondence to you on March 7, 1988.

QUESTION 3. Please provide a description of those agency actions or requirements which are currently subject to review by the Office of Management and Budget, including but not limited to budgetary requests, requests for changes in statutory authority, agency structure, personnel ceilings, prospective testimony before Congressional Committees and proposed agency regulations. Additionally, please describe for each the basis for that review, including but not limited to whether they are mandated by statute, occur at the request of OMB, or by practice of the agency. Please state when these proposals are submitted to OMB (e.g., before or simultaneously with submittal to Congress) and whether OMB's response is considered mandatory or merely advisory to the agency.

ANSWER.

The Budget and Accounting Act of 1921, 31 U.S.C. § 1108, requires the NRC to submit its appropriations and supplemental appropriations requests to the President. The procedures for complying with this statutory requirement are set forth in OMB Circular A-11.

Pursuant to that Circular, the NRC submits its annual budget requests, including proposed personnel ceilings, to the Office of Management and Budget for their review and approval. Pursuant to Circulars A-11 and A-19, we are also required to submit for OMB review and approval any legislative proposals needed to implement our budget request (our authorization bill) and our congressional testimony supporting our budget request. These are our only legislative submissions that are reviewed by OMB.

The Paperwork Reduction Act of 1980 requires the Commission to submit any proposed information collection requirements that the Commission plans to impose through its regulations to OMB for review. Proposed regulations, containing information collection requirements, must be submitted to OMB no later than when the proposed rule is published in the Federal Register. OMB comments only on the information collection aspects of the proposed rule. Information collection requests that would affect 10 or more members of the public that are not imposed by regulation are also reviewed by OMB. OMB's decisions on whether the information can be collected may be overridden by a majority vote of the Commission.

OMB does not review our non-budgetary testimony, legislative proposals (other than our authorization bill), responses to Congressional correspondence, views to Congress on specific legislative proposals, or proposed agency regulations. Copies of our Congressional testimony are provided to OMB after the hearing for its information. Copies of our legislative proposals and comments on specific bills are provided to OMB after they have been submitted to Congress.

QUESTION 3. (Continued)

The relationship described above has existed for several years. To a limited extent, this is a change from the NRC-OMB relationship described in a letter to Congressman Eckhardt dated June 12, 1980. There the Commission indicated that it had been its practice to submit certain proposed nonbudgetary actions to OMB for their review to the extent feasible, with due regard to the independent responsibilities of the Commission. The Commission indicated that proposals for changes in statutory authority and agency structure were generally submitted to OMB for prior comment to avoid unnecessary inconsistencies with Administration policy. At some unspecified date after submitting that letter, the NRC decided that prior OMB review of its proposed actions should only be sought when OMB had the clear legal authority to require the review--on budgetary matters.

The Committee should also be aware that in formulating Administration positions on issues, OMB frequently solicits the NRC's views. OMB provides us with draft legislative proposals, Executive Orders, OMB Bulletins and Circulars, Executive Branch agency testimony, and proposed Executive Branch agency comments on specified legislative proposals. Our views are also sought on some enrolled bills.

QUESTION 4. Please describe the process by which the Commission makes proposals to OMB and the manner in which OMB reviews and acts upon those proposals. Include any self-initiated reviews by OMB. Please provide for the past five years, by name and title, the individual or individuals within your agency who works (worked) directly with OMB personnel as well as the name of the individual or individuals within OMB who are (were) directly responsible for the review of your agency's proposals.

ANSWER.

The NRC's proposed appropriations and supplemental appropriations requests are submitted to OMB for their review. Various briefings and discussions are normally held with OMB concerning our request. Subsequently OMB issues its preliminary recommendations. The NRC then has an opportunity to reclama the OMB's preliminary recommendation. As a result of this reclama process, a final OMB decision is issued concerning our requests.

Our proposed authorization bills and supporting budget testimony are drafted by the NRC and submitted to the Office of Legislative Reference, OMB, for their review. OMB then provides written comments on the draft authorization bill to the NRC. In the past OMB's suggested changes have been acceptable to us, and we have incorporated OMB's comments, after making any necessary editorial changes. If OMB's proposed revisions had been unacceptable, further discussions between the two agencies would have ensued. We have also submitted our proposed budget testimony to OMB for their review. OMB has never proposed any revisions to this testimony.

Proposed information collection requirements are submitted to OMB by the NRC's senior official under the Paperwork Reduction Act with a supporting statement that explains the requirement, the need for the information, and the cost burden of collecting the information. OMB reviews the submittal, asks follow-up questions, and then responds by providing the Commission with a clearance number to affix to the published requirement or their comments about the proposed information collection requirement. These comments have been considered by the Commission in the context of rulemakings and accepted or rejected as the Commission deemed appropriate.

When OMB desires NRC's views on a legislative matter, it submits its request to a designated contact in our Office of the General Counsel. If NRC has substantive comments on the matter, or the matter is of particular importance to the NRC, written views are provided to OMB. If we have no comments, or only have editorial suggestions, we generally provide our views by telephone.

Occasionally, NRC representatives will be asked to attend interagency meetings chaired by OMB to discuss a particular legislative proposal. Representatives of our General Counsel's office and, if appropriate, the NRC staff attend these meetings.

For the past five years the NRC employees who have been responsible for communicating agency views to OMB on legislative matters are Martin G. Malsch, Deputy General Counsel for Licensing and Regulation, and Trip Rothschild, Deputy Assistant General Counsel for Adjudications and Opinions/Legislative Counsel. For the past three years their primary OMB contact has been Holly Fitter, Legislative Analyst, Office of Legislative Reference. Sue Thau, Legislative Analyst, served as NRC liaison before Ms. Fitter. The NRC employees who are now primarily responsible for communicating agency views on budget matters are Ronald M. Scroggins, Deputy Director and Controller, Office of Administration and Resources Management, and Peter J. Rabideau, Director, Division of Budget and Analysis, Office of Administration and Resources Management. During the past five years, NRC contacts also included Learned Barry, the former Controller, and Edwin G. Triner, formerly Director, Division of Budget and Analysis. Their primary contacts at OMB are Thomas Palmieri, Chief, Nuclear Energy Research, and Neile Miller, Budget Examiner, Nuclear Energy Branch. Prior to Ms. Miller's appointment with OMB last year, Mark Kerrigan, Budget Examiner, Nuclear Energy Branch, served as a primary OMB contact.

Formal communications with OMB are conducted through the agency's senior official under the Paperwork Reduction Act, William G. McDonald, Director, Office of Administration and Resources Management. This position was previously held by Patricia Norry, former Director, Office of Administration. For the past five years the NRC employees responsible for routine communications with OMB on paperwork reduction have been R. Stephen

Scott, former Chief, Information and Records Management Branch, and Brenda Shelton, Chief, Records and Reports Management Branch. The NRC's Desk Officer at OMB was Jefferson B. Hill. In 1987, Vartkes L. Broussalian was assigned as the OMB Desk Officer.

In addition to the items discussed above, the NRC also responds to a variety of Executive Orders and OMB Bulletins. These are identified in response to Question 6.

QUESTION 5. For each of the last five fiscal years, please supply the following information:

(A) The amount of budgetary authority requested of the Office of Management and Budget for your agency, including supplemental requests, as well as the amount approved by OMB in each instance. If such requests were made based upon particular laws or programs, please provide that information by law or program.

ANSWER.

The NRC requests resources to implement programs which are responsive to a number of different laws, such as: the Atomic Energy Act of 1954, as amended; the Energy Reorganization Act of 1974, as amended; the Nuclear Waste Policy Act of 1982, as amended; the Low Level Radioactive Waste Policy Act of 1985, as amended; the West Valley Demonstration Project Act; the Uranium Mill Tailings Radiation Control Act of 1978; and others. The NRC does not subdivide its budget request to align with the various statutes which authorize its programs.

QUESTION 5. (Continued) -2-

The following table delineates the budget requests by the NRC for the last five fiscal years along with the corresponding amounts approved by OMB.

Fiscal Year	NRC Budget Request ($ in millions)	OMB Mark ($ in millions)
1985	496,400	468,200
1986	529,800	429,000
1987	478,000	405,000
1988	427,800	427,800
1989	461,165	450,000

(B) The number of personnel for the agency requested of OMB as well as the number of personnel approved by OMB. If such personnel were requested based upon particular laws or programs, please provide that number according to such law or program. Include a discussion of how the personnel ceiling was reached for your agency and the extent to which that ceiling has necessitated contracting by your agency with outside consultants.

ANSWER.

The following table delineates the personnel resource requests by the NRC for the last five fiscal years along with the corresponding amounts approved by OMB.

Fiscal Year	NRC Request (Staff in FTE)	OMB Mark (Staff in FTE)
1985	3,641	3,491
1986	3,731	3,491
1987	3,491	3,369
1988	3,250	3,250
1989	3,180	3,180

As stated in the answer to part A of this question, the NRC requests resources to implement programs which are responsive to a number of different laws, and the agency does not subdivide its budget request to align with the various statutes which authorize its programs.

QUESTION 5. (Continued) -4-

The requests for personnel ceilings by fiscal year are developed as an integral part of the overall NRC budget formulation process. This process includes an evaluation of the various functions which have to be performed and a determination of which functions are properly performed with agency staff versus those activities which can be performed under contract or interagency agreement. Resources are then requested accordingly. The current personnel ceiling has not caused the agency to award contracts beyond its normal plans. Outside consultants are obtained when necessary to provide expertise which is not available on the NRC staff.

QUESTION 5. (Continued) -5-

(C) All proposals which you have submitted to OMB for changes in statutory authority affecting your agency as well as a description as to the manner in which OMB has or has not acted upon those proposals.

ANSWER.

As discussed above, the only bills we have submitted to OMB for their review have been our draft authorization bills. OMB generally has minor editorial changes. For the last two years, OMB, in providing its concurrence to our proposals, has asked us to include a provision which would raise user fees.

QUESTION 5. (Continued) -6-

(D) Copies of all testimony prepared for delivery to Congressional Committees which have undergone changes or proposed changes as a result of OMB review. If possible, please provide copies of the testimony as it was submitted to OMB before such changes or proposed changes were made. If copies of pertinent testimony are not available, then please provide as detailed a description as possible of such changes or proposed changes that have been made by OMB.

ANSWER.

As noted above, the only testimony we submit to OMB for their review is our budget testimony. OMB has never proposed changes to our testimony.

QUESTION 5. (Continued) -7-

(E) Any other decision or action on the part of OMB which has had an impact, whether to hinder, enhance, or alter, the current mission of your agency or the development of any new regulatory programs or activities.

ANSWER.

OMB's reviews of proposed information collections have not had any significant impact on the Commission's regulatory programs or activities.

QUESTION 6. List and briefly describe all outstanding Executive Orders and OMB circulars that are applicable or arguably applicable to the Commission, noting both those with which you comply and those, if any, with which you have determined not to comply. For the latter cases, state your reasons for non-compliance.

ANSWER.

The following are examples of Executive Orders and Budget Circulars that we comply with:

EXECUTIVE ORDERS

Contracts

1. E.O. 10582

   Title: "Buy American Act Procedures"

   Description: Requires agencies to add a price differential to bids/offers proposing foreign products and comparing those to domestic bids/offers for the purpose of determining the award.

2. E.O. 10789

   Title: "Authorizing Agencies of the Government to Exercise Certain Contracting Authority in Connection with National-Defense Functions and Prescribing Regulations Governing the Exercise of Such Authority."

   Description: Allows agencies to provide extraordinary contractual relief for contract claims.

QUESTION 6. (Continued)

3. E.O. 11141

   Title: "Declaring A Public Policy Against Discrimination On The Basis of Age"

   Description: Government Contractors may not discriminate against persons on the basis of their age in employment practices.

4. E.O. 11222

   Title: "Prescribing Standards of Ethical Conduct for Government Officers and Employees"

   Description: Prescribes Standards of Conduct for Government Employees.

5. E.O. 11246

   Title: "Equal Employment Opportunity"

   Description: To ensure equal opportunity for employment with government contractors, all contracts and grants must contain a clause setting forth a policy against employment discrimination.

6. E.O. 11625

   Title: "National Program for Minority Business Enterprise"

   Description: Encourages contracting with minority business enterprises.

7. E.O. 11701

   Title: "Employment of Veterans by Federal Agencies and Government Contractors and Subcontractors"

   Description: Government contractors are required to list employment openings with the employment service systems to aid veterans in returning to work.

8. E.O. 11738

   Title: "Environmental Protection Policy"

   Description: Provides for administration of the Clean Air Act and the Federal Water Pollution Control Act with respect to Federal contracts and grants.

QUESTION 6. (Continued)

9. E.O. 11755

Title: "Relating to Prison Labor"

Description: Government contractors must agree not to employ convicts sentenced to hard labor.

10. E.O. 11758

Title: "Authority Under Rehabilitation Act of 1973"

Description: Every contract and grant is subject to the Rehabilitation Act. Government contractors may not discriminate against employees or applicants because of physical or mental handicap.

11. E.O. 12073

Title: "Federal Procurement in Labor Surplus Areas"

Description: Authorizes agencies to make procurement set-asides in labor surplus areas to strengthen the economy.

12. E.O. 12138

Title: "Creating a National Women's Business Enterprise Policy And Prescribing Arrangements For Developing, Coordinating And Implementing A National Program For Women's Business Enterprise"

Description: Establishes policy for affirmative action in support of women-owned small businesses, including the area of procurement. Federal contractors must agree to use best efforts to give subcontracting opportunities to women-oriented small businesses.

13. E.O. 12352

Title: "Federal Procurement Reform"

Description: Requires agencies to improve effectiveness of procurement systems, enhance competition and limit noncompetitive actions, simplify small purchases, ensure timely payment to contractors, establish clear lines of contracting authority and accountability, and establish career management programs for procurement work force.

14. E.O. 12430

Title: "Report of Identical Bids"

Description: Revokes requirement for all agencies to report identical bids to the Attorney General.

15. E.O. 12549

Title: "Debarment and Suspension of Participants in Federal Programs"

Description: Establishes a Government-wide system for collecting information on organizations who are debarred or declared ineligible to receive contracts by reason of noncompliance with other laws or executive orders.

Facilities

1. E.O. 12072

Title: "Space Acquisition"

Description: This order established standards and procedures regarding the acquisition of Federal space for Government agencies.

2. E.O. 12196

Title: "Occupational Safety and Health Program for Federal Employees"

Description: E.O. 12196 revoked E.O. 11807 of September, 1974. It requires the head of each agency to furnish space which is safe and free of recognized hazards, and established health and safety guidelines regarding the inspection of Government facilities.

3. E.O. 12411

Title: "Government Work Space Management Reform"

Description: The intent of this order was to improve the management and performance of Federal work space. It established a goal of optimal efficient utilization of Federal work space.

4. E.O. 12512

Title: "Federal Real Property Management"

Description: The order established that real property is to be managed as an asset. Responsibility for this management lies with each particular agency, and each is required to devise an annual property management improvement plan with specific goals for the administration of its property and space.

Transportation

1. E.O. 11912

Title: "Delegation of Authorities Relating to Energy Policy and Conservation"

Description: The Administrator of General Services shall exercise the authority to ensure that passenger automobiles acquired by all Executive agencies in each fiscal year achieve a fleet average fuel economy standard that is not less than the average fuel economy standard for automobiles manufactured for the model year which includes January 1, of each fiscal year.

2. E.O. 12191

Title: "Federal Facility Ridesharing Program"

Description: Executive agencies shall promote the use of ridesharing by personnel working at Federal facilities.

3. E.O. 12261

Title: "Gasohol in Federal Motor Vehicles"

Description: Gasohol shall be the preferred fuel for Federal vehicles whenever or wherever feasible.

Security

1. E.O. 12356

Title: "National Security Information"

Description: NRC originates/handles National Security Information and assures compliance with this order.

2. E.O. 10450

Title: "Security Requirements for Government Employment"

Description: NRC meets the security suitability/clearance requirements established for federal employees.

3. E.O. 10865

Title: "Safeguard Classified Information Within Industry"

Description: NRC assures compliance for the protection of classified information provided to our contractors and licensees.

4. E.O. 12333

Title: "United States Intelligence Activities"

Description: As the recipient of intelligence information, NRC complies with the protective measures for such information.

OMB-CIRCULARS

Number	Title
A-1	OMB's System of Circulars and Bulletins to Executive Departments and Establishments
A-3	Government Publications
A-10	Responsibilities for Disclosure with Respect to the Budget Transmittal Memorandum No.1
A-11	Preparation and Submission of Budget Estimates Transmittal Memorandum No. 58
A-12	Object Classification Transmittal Memorandum No. 1 Transmittal Memorandum No. 2 Transmittal Memorandum No. 3
A-19	Legislative Coordination and Clearance Transmittal Memorandum No. 1 (Budgetary Legislation Only)

QUESTION 6. (Continued)

A-21	Cost Principles for Educational Institutions Transmittal Memorandum No. 1
A-25	User Charges Transmittal Memorandum No. 1 Transmittal Memorandum No. 2
A-34	Instructions on Budget Execution Transmittal Memorandum No. 11
A-50	Audit Follow-Up
A-73	Audit of Federal Operations and Programs
A-76	Performance of Commercial Activities Transmittal Memorandum No. 1 Transmittal Memorandum No. 2 Transmittal Memorandum No. 3 Transmittal Memorandum No. 5
A-87	Cost Principles for State and Local Governments
A-89	Federal Domestic Assistance Program Information
A-104	Evaluating Leases of Capital Assets
A-105	Standard Federal Regions
A-108	Responsibilities for the Maintenance of Records about Individuals by Federal Agencies
A-110	Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations
A-114	Management of Federal Audiovisual Activities
A-119	Federal Participation in the Development and Use of Voluntary Standards
A-120	Guidelines for the Use of Advisory and Assistance Services
A-123	Internal Control Systems
A-125	Prompt Payment
A-127	Financial Management Systems
A-130	Management of Federal Information Resources

The following are examples of Executive Orders and OMB Circulars that the NRC does not comply with:

EXECUTIVE ORDERS

1. E.O. 12991

   Title: "Federal Regulation"

   Description: Requires preparation of regulatory impact analysis for major rules that would be reviewed by OMB prior to publication.

2. E.O. 12498

   Title: "The Regulatory Planning Process"

   Description: Requires submission of a draft regulatory program to OMB each year for its review. The program is to set forth regulatory policies, goals, and objectives for the coming year.

3. E.O. 12612

   Title: "Federalism"

   Description: Requires preparation of Federalism Assessments to accompany submissions sent to OMB for review pursuant to Executive Order 12991 or OMB Circular A-19.

OMB CIRCULARS

A-19	Legislative Coordination and Clearance (to the extent that it requires submission of non-budgetary legislative proposals to OMB for review).
A-88	Indirect Cost Rates, Audit and Audit Follow-Up at Educational Institutions

The NRC determines whether to comply with an Executive Order or OMB Circular after a review that is focused on whether there is a constitutional or statutory basis for applying the requirement to an independent regulatory agency. With respect to the Executive Orders and OMB Circulars that the NRC does not comply with, our compliance either is not required by statute or the terms of the Order or Circular, or compliance would be inconsistent with our status as an independent regulatory agency.

QUESTION 7. In your March 1, 1988 letter to Chairman Burdick, you indicated that the reform legislation should more clearly delineate the relationship between the Nuclear Safety Agency and the Executive Branch. Please provide legislative language setting forth the Commission's position on this subject. In addition, please explain the extent to which this language is intended to codify the existing relationship between the Commission and OMB, as summarized in response to questions 3-6 above.

ANSWER.

We would suggest that the following language be added to the end of section 105:

Like its predecessor, the non-budgetary actions of the Nuclear Safety Agency shall not be subject to the review and approval of the Office of Management and Budget.

This proposed language would codify the relationship that the NRC now has with OMB.

Commissioner Bernthal does not concur in the response to this question.

QUESTION 8. Please provide an analysis of the savings that would be achieved by enactment of legislation to establish a Single Administrator agency. Please include specific figures on the dollars and staff savings that would be achieved as a result of this change, including a description of the savings in the Commissioners' offices, the Office of the Secretariat, and the Executive Director of Operations, and the assumptions that are made about the size and responsibilities of these offices in achieving such savings.

ANSWER.

The savings that would be achieved by enactment of legislation to establish a Single Administrator agency would depend upon the final organizational structure defined by the legislation and that established by the Administrator, including, for example, appropriate support staff. In order to provide a reasonable analysis, we have made the following assumptions: (1) the enabling legislation is that defined in Title I of the "Nuclear Regulation Reorganization and Reform Act of 1988," as reported by the Subcommittee on Nuclear Regulation, Senate Committee on Environment and Public Works; (2) establishment of the Office of Inspector General and the Office of Investigations will have no significant resource impact; (3) the establishment of a Nuclear Reactor Safety Investigations Board will not result in savings achieved by transfer of resources from the current Office for Analysis and Evaluation of Operational Data since the NRC believes that these functions will still be required to be performed by the staff; and (4) the Administrator, if that individual so desires, could retain an organization which would perform a function similar to that of the current EDO.

The result of these assumptions is that the savings to be identified result from those activities directly related to the change from a Commission organization to that of a Single Administrator. The following analysis discusses the specific savings by organization and function, as requested.

Staffing

- Office of the Commissioners: A savings of 28 FTE (Full Time Equivalent Staff) could be achieved by the abolition of four Commissioners' offices. The Deputy Administrator would require a staff of about 10 FTE. The 15 FTE assigned to the Office of the Chairman are assumed to be available for use of the Administrator. The net reduction would, therefore, be 18 FTE.

- Executive Director for Operations and Office of the Secretary: There are currently 7 FTE assigned in the Office of the Executive Director for Operations and the Office of the Secretary dedicated to correspondence and mail control. We believe that a revised structure should save about 3 FTE in this function. Three more FTE should be saved by eliminating current activities related to notation votes, calendaring, and reduced number of staff requirements memoranda, etc. We believe that the remaining FTE in these offices would be required to continue such activities as coordination of regional operations, monitoring day-to-day agency operations, continuing essential administrative functions in the Administrator's office, and maintaining the agency's Public Document Room.

Salaries and Benefits

The above analysis identifies a possible savings of 24 FTE's which would result in a reduction in Salary and Benefit costs of about $1.3 million.

Travel

The abolition of the four Commissioners' Offices should save about $0.1 million in travel costs.

Program Support/Administrative Support

Program and administrative support costs should be reduced by about $0.6 million resulting from reduced stenographic reporting activities for Commission meetings, special studies, consultants, etc. used by the Commission and other administrative support.

QUESTION 8. (Continued) -4-

The above analysis results in a possible savings on the order of $2.0 million which are all identified in the Nuclear Safety Management and Support mission area. These reductions would be more than offset by the resources required for the Nuclear Reactor Safety Investigation Board as defined in the pending legislation.

QUESTION 9. On the subject of the Commission decision making process and Commission meetings, please identify, for calendar years 1985-1987, those Notation, Affirmation, and Negative Consent SECY papers that were the subject of Commission meetings. For purposes of this request, do not include Affirmation meetings held on Affirmation papers solely for the purpose of affirming votes previously cast by Commissioners. For calendar years 1985-87, please identify all Staff Requirements Memoranda issued as a result of a Commission meeting setting forth a decision reached by the Commission at such meeting. Please provide copies of all such Staff Requirements Memoranda.

ANSWER.

For calendar years 1985-87, the following Notation, Affirmation, and Information papers were the subject of Commission meetings (this listing includes affirmation papers on which an interchange of views among Commissioners occurred at the meeting); there were no Negative Consent papers discussed in meetings during this time period:

1985 Meeting Date*	Secy Paper Number/Title
1/10/85	84-390 - Proposed Amendments to 10 CFR Part 2

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* These meeting SRMs are included in the attachment.

QUESTION 9. (Continued)

Meeting Date*	Secy Paper Number/Title
1/17/85	83-357A - Amendments to 10 CFR Part 50 Related to Hydrogen Control
2/1/85	84-483 - Classified
3/11/85	84-167 - Use of the FAA "Check Pilot" Approach for Reactor Operator Requalifications
4/4/85	85-100 - Indian Point Special Proceeding Decision
5/2/85	85-149 - Material False Statements
5/29/85	85-183/183A - TMI-1 Restart Proceeding -- Revision of Draft Order
6/19/85	85-213 - Action on Proposed Rule to Limit the Use of Highly Enriched Uranium (HEU) in Research and and Test Reactors
6/20/85	85-153 - Providing Information to Advisory Panel on TMI-2 Cleanup
8/1/85	85-263 - Joint Intervenors' Application for Stay of Full-Power License for Diablo Canyon Unit 2 and Petition for Review of ALAB-811
8/1/85	85-222 - Final Backfit Rule
9/8/85	85-283 - Final Amendments to 10 CFR Part 50, Appendix E; Consideration of Earthquakes in Emergency Planning
9/11/85	85-163 - Proposed Station Blackout Rule
9/12/85	85-150 - Final Policy Statement on Engineering Expertise on Shift

Meeting Date*	Secy Paper Number/Title
10/3/85	85-306 - Staff Recommendations Regarding the Implementation of Appendix R to 10 CFR 50
10/9/85	85-321 - Environmental Qualification (EQ) Extension Request Post-November 30, 1985 for the Brunswick Steam Electric Plant, Unit 2 (BSEP-2)
10/25/85	85-334 - Environmental Qualification (EQ) Extension Request Beyond the November 30, 1985 Deadline for Palo Verde Nuclear Generating Station, Units 1 and 2
10/21/85	85-272 - Report on the Environmental Protection Agency's Environmental Standards for High-Level Radioactive Waste Disposal
10/23/85	85-14 - Approval of a Proposed License to Export Kilograms of Plutonium to Switzerland
11/5/85	85-345 - Environmental Qualification (EQ) Extension of the November 30, 1985 Deadline for Millstone Unit 1
11/14/85	85-163 - Proposed Station Blackout Rule
12/4/85	85-332A- Revised Braidwood Order
12/11/85	85-382 - Standardization Policy Statement
1986	
1/17/86	85-67A - Sunshine Act Rule
1/21/86	86-10 - Recommendations for Improving Technical Specifications
1/23/86	86-9 - USNRC Comments on the USDOE Proposal to the Congress for the Construction of a Monitored Retrievable Storage Facility (MRS) for High-Level Radioactive Waste and Spent Nuclear Fuel (Nuclear Waste Policy Act (NWPA) Section 141)

QUESTION 9. (Continued)

Meeting Date*	Secy Paper Number/Title
2/7/86	86-1A - Status of Staff Actions Regarding TVA
2/12/86	86-36 - Material False Statements
6/17/86	86-179 - Radiation Technology, Inc. Rockaway, New Jersey
6/18/86	86-151 - Insurance Exemption for La Crosse Boiling Water Reactor
6/25/86	86-153 - Fitness for Duty for Nuclear Power Plant Personnel
11/7/86	86-317 - Performance Indicators
1987	
2/6/87	87-25 - Chernobyl Implications Assessments
2/13/87	87-34 - TMI-2 Cleanup - Staff Review of Status and Schedule
2/24/87	87-35 - Consideration of Emergency Planning Rule Changes to Deal with Lack of Governmental Cooperation in Offsite Emergency Planning
2/25/87	87-53 - Staff Review of NAS Report "Revitalizing Nuclear Safety Research"
4/15/87	87-95 - Plan for USNRC to Gain Information from the Final Stages of TMI-2 Core Removal
5/13/87 & 6/8/87	87-116 - Existing Licenses Authorizing Import of South African Origin
5/13/87	87-28 - NRC/DOE Comparability Review Team Findings of Safeguards Programs at Fuel Facilities
6/9/87	87-117 - Coordination Plan for NRC/INPO Use of Performance Indicators

6/11/87	87-137	- First Quarterly Progress Report on the Pre-Licensing Phase of DOE's Civilian High-Level Radioactive Waste Management Program
6/30/87	87-155	- Effectiveness Review of Partial Initial Decisions (Braidwood, Units 1 and 2)
7/29/87	87-29A	- Misadministrations
7/29/87	87-93	- Investigative Policies pertaining to the authority and responsibility of the Office of Investigations
8/5/87	87-189	- NRC Staff Analysis of the Recommendations of the Materials Safety Regulation Review Study Group
10/29/87	87-257	- Emergency Planning Rule

In addition, but not included among the papers listed above, there were 163 Affirmation papers approved by the Commission at Affirmation meetings the majority of which were agreed upon only after the differing points of view of individual Commissioners expressed during a notation vote process were resolved and a determination was made that a face to face deliberation was not needed at a meeting.

For calendar years 1985-87, we have identified 191 Staff Requirements Memoranda resulting from Commission meetings which provided the staff with decisions or guidance, directions, and further work needed to complete action on the subject of the meeting. Copies of these Staff Requirements Memoranda are attached.

QUESTION 10. On the subject of the Nuclear Reactor Safety Investigations Board, the Commission in its March 1 letter to Senator Burdick, notes that "the Administrator [of the Nuclear Safety Agency] should have considerable input into the matters being investigated [by the Board] and their priorities." Please explain the type of input that the Commission envisions and the purpose of this input. In addition, please comment on whether the requirement that the Board consult with the Administrator prior to the initiation of an investigation, contained in section 143(a)(6) of the bill, addresses this concern. If not, what additional supervision of the Board's activities does the Commission have in mind. Please be specific.

ANSWER.

While the Commission believes that the Investigations Board should have the authority to initiate an investigation (after consultation with the Administrator of the Nuclear Safety Agency), determine how it should be conducted, and reach its own independent findings, it should be subject to supervision by the Administrator to ensure that its product is submitted to the Nuclear Safety Agency in a timely fashion. If the Board is conducting more than one investigation at a time, the Administrator of the Nuclear Safety Agency should be authorized to establish the Board's priorities so that the investigation that is most important from a regulatory perspective is completed first. Because the Board's investigations will provide important information for the Agency's regulatory decisions, it is also essential that the

Administrator be able to suggest a schedule for the submission of the Board's report to the Agency. Furthermore, the Administrator should have the authority to request the Investigations Board to provide periodic status reports to the Commission, including preliminary findings. Finally, the Administrator must be able to supervise interaction between the Investigations Board and the Office of Investigations (OI). We do not believe that the functions of the Investigations Board are intended to include investigations of wrongdoing, but evidence touching on wrongdoing could be uncovered in the course of the Board's activities. In such cases, coordination between OI and the Board may be required.

Commissioner Bernthal does not concur in the response to this question.

MARCH 2, 1988

QUESTIONS FOR THE NUCLEAR REGULATORY COMMISSION BUDGET HEARING

SENATOR STEVE SYMMS

1. WHAT HAS THE NRC DONE TO MAKE CLEAR TO CONGRESS AND THE PUBLIC THE BENEFITS DERIVED FROM ITS SAFETY RESEARCH EFFORT?

2. PLEASE PROVIDE FOR THE RECORD THE STATUS OF THE NRC'S PROGRAM THAT WAS ESTABLISHED UNDER THE NAME OF CENTERS OF EXCELLENCE. IS THE PROGRAM CONTINUING? HAS IT BEEN EXPANDED? WHAT IS THE FUNDING FOR THIS PROGRAM?

3. WHAT RESEARCH IS BEING CONDUCTED INTO SEVERE ACCIDENT ANALYSIS?
    A. WHERE IS THIS RESEARCH BEING CONDUCTED?
    B. WHAT IS THE FUNDING FOR THIS PROGRAM?
    C. IS THE THREE MILE ISLAND (TMI) RESEARCH PART OF THIS EFFORT?
    D. WHERE IS THE TMI RESEARCH BEING CONDUCTED AND BY WHOM?

QUESTION 1. What has the NRC done to make clear to Congress and the public the benefits derived from its safety research effort?

ANSWER.

The principal vehicle by which the NRC conveys to the public and the Congress the benefits derived from our safety research program is through the prompt and widespread dissemination of research results. The Commission maintains a comprehensive system through which published research results are given wide distribution. This system includes the Public Document Room in Washington and a system of depository libraries in major cities and universities throughout the country. These facilities are provided with copies of all technical reports arising from NRC sponsored research. Reports of NRC - sponsored research are regularly published in a variety of professional journals. In addition, the Commission regularly publishes a series of reports which provides information on the major safety issues facing the Commission, the research being conducted to resolve these issues and ultimately the results of that research i.e., the Long Range Research Plan (NUREG-1080), the Research Accomplishment Report (NUREG-1266). NRC also issues annually an abstract journal which lists each and every technical and regulatory report issued by NRC and its contractors (NUREG-0304). The NRC Annual Report also contains a section describing the more important accomplishments of the research program in the preceding year. More recently, the Commission has prepared and issued a comprehensive Five Year Plan which outlines the planned activities of each of the Commission's major offices, including the Office of Research,

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Question 1 continued

for 1988 and beyond. Accordingly, the Long Range Research Plan will no longer be issued as a separate entity.

In instances where we believe research results are particularly noteworthy or have significant regulatory implications, we request public comments on such reports through notices published in the Federal Register. Examples of these are the publications of the original 1975 Reactor Safety Study (WASH-1400) and more recently the Risk Reference Document, NUREG-1150 (Draft).

QUESTION 2. Please provide for the record the status of the NRC's programs that was established under the name of Centers of Excellence. Is the program continuing? Has it been expanded? What is the funding for this program-

ANSWER.

The "Center of Excellence" program evolved into establishment of a Thermal-hydraulic Technical Support Center (TSC) at the Idaho National Engineering Lab (INEL). The program maintains expert staff to work on priority programs for the NRC. Recent examples of such work include support for the B&W reactor safety re-evaluation; assistance on compiling the Compendium of ECCS Research Applicability and Uncertainty Project; and assistance in developing an in-vessl Accident Management Plan. Funding for FY 87 was $1.5M; for FY 88, $0.9 M; and FY 89, $2.3M. The program has been successful and NRC intends to continue its support.

QUESTION 3. What research is being conducted into severe accident analysis?

ANSWER.

General:

There are many research programs being conducted by the NRC in the area of severe accidents. They consist of (a) Experiments and Data Analysis, (b) Model Development and Validation, and (c) Risk Assessment and Regulatory Applications.

Experiments and data analyses are addressing major severe accident phenomena such as core melt progression; fission product release, transport, deposition, and revaporization (i.e., Source Term Studies); core/concrete thermal and chemical interactions; containment loading by high pressure melt ejection (Direct Heating), hydrogen detonations and burning, overpressure, and overtemperature; containment performance testing; and effects of natural circulation in the primary system.

Model development and validation consists of the establishment of state-of-knowledge computer codes at two levels of complexity: namely, (a) highly-detailed, slow-running but accurate models and, (b) fast-running, simplified models. The fast-running models are used for risk assessment and source term studies which require hundreds or thousands of computer runs. The

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detailed models are used to benchmark the faster running models (i.e., determine their accuracy relative to detailed analyses), and for specific answers to risk-significant issues not requiring hundreds of computer runs. All the data from the experimental program are used to assess the validity of both types of models.

The risk assessment program assures that Probabilistic Risk Assessments (PRA's) used by the Commission includes state-of-knowledge methodology and the procurement of up-to-date data on system reliability. The most recent accomplishment in this area utilized the above data base and models to analyze and determine the risk of five representative U.S. LWR plants; i.e., plants representing each of the five major U.S. containment types. The resulting document (NUREG-1150) is currently being revised for final publication.

Regulatory applications consist of cost/benefit analyses and "fixes" for risk significant phenomena established by studies such as NUREG-1150. These analyses use the models and data base for severe accidents being established by the above research programs.

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QUESTION 3. (Continued) -3-

(a) Where is this research being conducted?

ANSWER:

The research is conducted at national research laboratories, colleges and universities, our foreign partners in severe accident phenomenology, and by private industry. The great majority of the work is done at such laboratories as the Idaho National Engineering Laboratory (INEL), the Sandia National Laboratory (SNL), the Oak Ridge National Laboratory (ORNL), and the Brookhaven National Laboratory (BNL), with lesser programs at the Argonne National Laboratory (ANL) and the Los Alamos National Laboratory (LANL). Universities and colleges where research is sponsored, directly or indirectly, include the University of Wisconsin, Iowa State University, the University of Illinois, the University of California at Berkeley and Los Angeles, the State University of New York (Stonybrook), and the University of Tennessee. Some work is done at private laboratories such as Pacific Northwest Laboratories (PNL) and Battelle Columbus Laboratories (BCL). Finally, considerable research is conducted jointly by the NRC, Industry, and our foreign partners. Such work includes natural circulation research at Westinghouse sponsored by the Electric Power Research Institute (EPRI); Industry/EPRI/NRC joint projects on hydrogen behavior (combustion and burning) in PWR and BWR containments; and multi-national projects which include the NRC, EPRI, and other industry groups. Examples of the latter work include the OECD LOFT project at INEL in which a large fuel bundle was tested under severe accident conditions, and general phenomenology experiments and analyses conducted in the Federal Rupublic of Germany and the United Kingdom.

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QUESTION 3. (Continued) -4-

(b) What is the funding for this program?

ANSWER:

The total funding by the NRC for research of this type was $27M in FY 1988, and is currently projected at $31M for FY 1989.

QUESTION 3. (Continued) -5-

(c) Is the Three Mile Island (TMI) research part of this effort?

(d) Where is the TMI research being conducted and by whom?

ANSWER:

The TMI research is an important part of the total effort in the form of analytical studies using detailed models at INEL and SNL; specimen examinations at INEL and ANL; and the bottom head specimen extraction conducted by MPR Associates of Washington, D.C. It is expected that metallographic examination of the extracted bottom head specimens will be performed at INEL, whereas mechanical property testing of the samples will be conducted by ANL. The final analyses and evaluation of the data will be conducted jointly by INEL and our foreign partners who are expected to aid in financing the program.

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QUESTION 4. Please explain the NRC's involvement in the international nuclear area--the Nuclear Energy Agency (NEA) and the International Atomic Energy Agency (IAEA)?

ANSWER.

NRC carries out its international activities within the overall foreign policy context set by the Department of State, including U.S. participation in the programs of the IAEA and the OECD Nuclear Energy Agency. In the safety area, NRC acts to gain access to foreign data and resources to improve the safety of NRC-licensed facilities and materials, and to enhance nuclear safety practices worldwide, especially in the use of U.S.-supplied power reactor technology. In the nonproliferation area, NRC controls exports of nuclear commodities and consults on the export actions of other agencies, helps in U.S. efforts to improve international safeguards and physical security measures, and implements the U.S.-IAEA Safeguards Agreement as it applies to NRC-licensed facilities.

NRC has established communications channels with the IAEA and the NEA and the safety authorities of some twenty countries to help assure the prompt and reciprocal notification of reactor safety problems that could affect both U.S. and foreign nuclear facilities, to exchange information in such areas as safety, safeguards, waste management, and radiation protection, and to assist developing countries, especially those operating light water reactors of U.S. design, in improving their nuclear safety and health practices.

NRC has also opened its major safety research projects to international participation and has joined other countries and international organizations in a limited number of safety research projects being conducted abroad. Such cooperation has the advantage of maximizing the benefits derived from research dollars spent by coordinating planning, defining priorities, and eliminating duplication of effort.

A. Has this involvement grown in recent years?

ANSWER.

The level of NRC's involvement in international nuclear safety activities increased as a result of the April 1986 accident at the Chernobyl nuclear power plant in the U.S.S.R. Following Chernobyl, the IAEA and the NEA stepped up their safety programs, calling meetings, re-examining priorities, reallocating resources, trying to assure that all lessons being learned from Chernobyl were incorporated as quickly and as thoroughly as possible to avoid, or at least mitigate, any future occurrences. The IAEA took the lead in developing two international Conventions (which have since entered into force) providing for early notification and emergency assistance in the event of a nuclear accident or radiological emergency at a nuclear facility. NRC participated in all of this.

The IAEA also adopted an expanded safety program focused on increasing the operational safety of nuclear power plants, primarily through increased attention to human factors, including operator training, and the fielding of Operational Safety Review Teams on which 10-15 international experts spend 3 weeks at a plant to perform an in-depth evaluation of its overall operations in regard to safety considerations. NRC has made a concerted effort to lend its expertise to this activity whenever it has been requested to do so.

We are also working with the IAEA to update a series of nuclear power plant codes of practice (5) and safety guides (55) which the NRC had taken the lead in helping it develop (primarily for use by inexperienced nuclear power countries) in the late 1970's-early 1980's.

B. How much funding from the NRC is involved in this effort?

ANSWER.

Altogether it is estimated that in FY 1987 about 45 FTEs of NRC staff effort and some $500K in travel funds were involved in NRC's export licensing, international safeguards, and other nonproliferation-related efforts, as well as nuclear safety, radiation protection and waste management cooperation and joint research. In addition, several million dollars of NRC and foreign research funding are spent each year in joint research activities in the U.S. and overseas.

C. Do foreign countries contribute "in kind" or with funds to our research programs?

ANSWER.

NRC is currently involved in over 55 separate research agreements under which we cooperate with 14 countries in ongoing nuclear safety research projects both in the U.S. and abroad. Some of this cooperative research involves experiments performed in U.S. facilities, with foreign countries making direct cash contributions to participate in NRC programs; some of it involves the foreign country providing the test facility and/or the results of other complementary research it has sponsored in an area of interest or need to the U.S. In other cases, experiments are performed overseas, and the NRC either contributes instrumentation, test analysis and onsite experts, or makes direct cash contributions to the foreign-host program.

APPALACHIAN REGIONAL COMMISSION

OFFICE OF THE
FEDERAL CO-CHAIRMAN
1666 Connecticut Avenue, N.W.
Washington, D.C. 20235
202/673-7856

March 15, 1988

Chairman Quentin N. Burdick
Committee on Environment
and Public Works
United States Senate
Washington, D.C. 20510

Dear Chairman Burdick:

In response to the questions contained in your letter of January 28, 1987 concerning the impact of the President's FY 1988 budget request on the Appalachian Regional Commission, the following is provided:

1Q. Please contrast the FY 89 request with the FY 88 request and the appropriated level. What effect will proposed increases or reductions have on agency programs?

A. The Administration proposed to terminate the Commission as of September 30, 1987 and therefore, requested no funds for it in the FY 1988 budget. Maintaining that position, the Administration proposed to terminate the Commission as of September 30, 1988 and, therefore, has requested no funds for it in the FY 1989 budget. Actual appropriations for the Commission in FY 1988 totalled $107 million.

The proposed termination of ARC will preclude the funding of further economic development projects in the region.

A recent cost study for the uncompleted sections of the Appalachian Development Highway System indicates that the cost to complete the system would be over $5.9 billion.

Termination of ARC would preclude the completion of about 30% of the proposed Appalachian Highway System.

2Q. What personnel increases or decreases are being proposed in FY 89 compared with FY 88 levels?

A. As was the case in FY 1988, no funds for salary expenses have been requested by the Administration for FY 1989. Therefore, present staff of ARC would be terminated with the closedown of the Commission. The number of staff so affected would be 8 in the federal office and 55 in the Commission.

3Q. Please discuss any proposed recissions, deferrals, or supplements proposed for FY 88.

A. The Administration has not proposed a recission, deferral, or supplement of FY 88 Commission funds. OMB's FY 89 budget requests that $4 million from ARC's recoveries of prior year obligations be made available for allocation in 1989 to close out Appalachian Regional Development Non-Highway projects.

4Q. Please indicate if any legislative initiatives are necessary, or are being considered, to implement any part of the agency's FY 89 budget request. If so, please describe these proposals and specify the budgetary impact of each provision.

A. As stated previously, the President has proposed terminating the Commission as of the end of FY 88. Thus, no legislative initiatives are being considered.

Sincerely,

Winifred A. Pizzano
Federal Co-Chairman

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, DC 20310

1 MAR 1988

Ms. Stephanie Clough
Professional Staff Member
Committee on Environment
  and Public Works
Senate Office Building
Washington, D. C. 20510-6175

Dear Ms. Clough:

This is in response to the Committee letter of February 12, 1988, jointly signed by Chairman Burdick and Senator Stafford, requesting written material on the Fiscal Year 1989 budget for the Civil Works program of the Army Corps and Engineers and answers to four specific questions.

In light of the expedited schedule for our response, I am enclosing the following:

> Department of the Army written testimony on the Fiscal Year 1989 Civil Works budget furnished to the Subcommittee on Energy and Water Development, Committee on Appropriations, and

> Written responses to the four Committee questions.

I believe that the information which we are submitting will meet your needs. Please let me know if you have any further questions.

Sincerely,

Robert W. Page
Assistant Secretary of the Army
(Civil Works)

Enclosures

STATEMENT OF ROBERT W. PAGE
ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)
BEFORE THE SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
ON THE FISCAL YEAR 1989 CIVIL WORKS BUDGET

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

INTRODUCTION

I am delighted to appear before your subcommittee today to meet all of you and present the Fiscal Year 1989 budget recommendations for the Civil Works Program of the Army Corps of Engineers. The Chief of Engineers, Lieutenant General E. R. Heiberg III, the Director of Civil Works, Major General Henry J. Hatch, and the Corps Programs Chief, Mr. Don Cluff, are with me and will assist in the presentation of today's testimony. Also present is the Principal Deputy Assistant Secretary, John Doyle, who distinguished himself as Acting Assistant Secretary when my predecessor, Bob Dawson, assumed new responsibilities at the Office of Management and Budget.

Since being sworn in last December, I have had the opportunity of seeing first hand how the Army Corps of Engineers carries out its responsibilities, both here at Headquarters and in the field where the real work gets done. I also have learned of the deep interest which members of this subcommittee have in all aspects of the Civil Works Program. I am counting on that interest not only to sustain - but to further strengthen - the program.

The Water Resources Development Act of 1986, the product of a joint effort by Congress and the Administration, provides a new framework by which water resources projects are formulated and financed. The cost sharing reforms in that Act already are yielding dividends in allowing scarce Federal funds to reach a greater number of projects than otherwise would be possible. Public Law 99-662 is an accomplished fact. In order to more completely respond to project sponsor expectations created by the Act's new planning, engineering, and construction framework, especially in this time of high deficits, we have an obligation to look at every available resource and make it stretch. Therefore, the Army Corps of Engineers must develop new efficiencies in using the funds both Congress and its project partners provide. This is the challenge as I see it.

Our goal over the next several months will be to improve the efficiency with which we do our business. This will be done by:

> Acceleration of the planning, design, and construction process and reducing its cost, including:

- Streamlining project planning and approval procedures, and
- Reducing the direct and indirect costs of project planning and implementation;

> Adoption of the project manager concept to carry a project from the feasibility study phase through completion of project construction;

> Monitoring and controlling performance to assure that projects are completed within the costs and schedules agreed to with sponsors; and

> Instituting a construction productivity advancement research program to reduce future project construction costs and, in the process, improve the competitive posture of this Nation's construction industry not only in this country but overseas as well.

My previous experience in private sector construction engineering management should prove useful as the Corps modifies its overall approach to project implementation as a consequence of the sponsor's enhanced role in project planning and implementation. We have already begun to take the necessary steps to meet the future. Some of these steps have been initiated by the Chief of Engineers, and together we will do more. Later in this statement I will address our plan to achieve greater efficiency.

My complete statement addresses these topics:

> Fiscal Year 1988 Appropriations,

> Fiscal Year 1989 Budget Request,

> Efficiency Improvements,

> Proposed Legislation,

> Manpower,

> Management of Foreign Travel, and

> Ownership and Operation of Corps Aircraft.

FISCAL YEAR 1988 APPROPRIATIONS

I think we can all agree that we must get the Nation's economic house in order. That means responsible Federal fiscal constraint - responsible budgeting and program execution in the Executive Branch and responsible legislation and appropriations from Congress. We must all work together if we are to achieve our common goal.

In enacting the Fiscal Year 1988 Energy and Water Development Appropriation Bill, Congress added significantly to the number of studies and projects in the Corps program and increased the level of funding requested by the President for many others. In the spirit of cooperation I mentioned a moment ago, we have distributed those funds to the field activities generally along the lines you proposed. Frankly, we have reservations over some of these projects.

To keep the Civil Works program moving forward, Congress and the Administration must work together to preserve the cost sharing reforms of the Water Resources Development Act and to avoid using Federal funds to construct projects that are uneconomic or more appropriately undertaken by non-Federal interests.

It is my hope that a spirit of cooperation will prevail when the Congress marks-up the Fiscal Year 1989 bill and that you will be successful both at holding the level of spending to that proposed by the President and that you will avoid making cost sharing exceptions and avoid supporting unproductive or inappropriate projects.

FISCAL YEAR 1989 CIVIL WORKS BUDGET REQUEST

The Fiscal Year 1989 budget that I am presenting to you today continues the President's commitment to support responsible national water resources development. Although the program is constrained because of the Fiscal Year 1988 Bipartisan Budget Agreement, I think you will agree it is an extremely good request and fiscally responsible—responsible in the context of balance in the overall Federal program, responsible in the selection of studies, projects and activities funded, and responsible in the level of funding each item receives. I would emphasize that, despite restraint necessary to meet deficit reduction targets, this request includes funding to initiate construction on six projects, including the major commitment of the $1.3 billion Santa Ana, California, flood control project. Let me point out that this budget, while reflecting some internal adjustments, is consistent with the 102 percent cap agreed to last year by Congress and the President.

This budget request marks the first time that the newly established Inland Waterways Users Board has had input into the inland waterways program. Our request for the inland waterways navigation system was formulated taking into consideration the recommendations of the Inland Waterways Users Board. The Board's recommendations were contained in its first annual report entitled Inland Waterways Users Board, First Annual Report to the Secretary of the Army and the United States Congress, dated December 1987.

Inland Waterways Users Board

Section 302 of the Water Resources Development Act of 1986 created an eleven-member advisory board of inland waterway users and shippers to make recommendations to the Secretary of the Army regarding construction and rehabilitation priorities and spending levels for commercial waterway improvements. The Board's overview of the inland waterways system crosses several appropriation accounts - General Investigations; Construction, General; Flood Control, Mississippi River and Tributaries; and Operation and Maintenance, General.

The Board members were appointed in late spring of 1987 and in 1987 held two meetings. The first meeting was on July 15-16, 1987, and the second on September 28, 1987.

The Inland Waterways Users Board should be congratulated for accomplishing so much in such a short time. The Board's recommendations for inland waterways improvements reflect considerable deliberations and insight, on the part of the members, in determining national study, construction, and rehabilitation priorities from the perspective of a user or shipper utilizing these waterways.

In general, with the exception of one feasibility study, the Board agreed with the projects presently in the Army Corps of Engineers inland waterways navigation program. As stated in its report, and discussed at its last meeting, the Board expressed concern about continuing the construction of the Red River Waterway project and has asked for a full briefing at its next meeting. We have tried to the maximum extent possible to accelerate those studies and projects which the Board recommended. Also, we have deferred one navigation study, as recommended in the Board's report. The other study recommended for termination in the report is not in our current program.

The Board's recommendations are a valuable addition to our program development and budget formulation process. We appreciate the contributions of the Board's chairman and members to efficient management and modernization of our inland waterways.

Budget Request Summary

The Fiscal Year 1989 program totals $3.56 billion and is financed principally by a combination of general treasury funds, trust funds, and non-Federal contributions. General funds amount to some $3.1 billion, trust funds to some $0.23 billion, and associated non-Federal contributions to some $0.24 billion. The Federal budget request, summarized by appropriation account, is shown on Table 1, attached. Also financing the program are offsetting receipts of some $19 million collected under existing law. Net Federal appropriations would amount to some $3.3 billion.

With the addition of increased non-Federal cost sharing requirements of the Water Resources Development Act of 1986 and the establishment of the two trust funds - Inland Waterways and Harbor Maintenance - approximately 14 percent of our program will be financed by other than general treasury funds. This is remarkable since just two years ago only two percent of our financing came from non-Federal sources. The beneficiary-pay concept, which is the heart of our program, is working well.

Construction, General

Considering the necessity for budget restraint, this is an extremely good budget request and, as is the case for Fiscal Year 1988, it could not have been accomplished without the reforms embodied in the Water Resources Development Act of 1986. Federal and non-Federal investment in the projects and programs funded under Construction, General, total just over $1.4 billion. The construction investment level is slightly greater than our Fiscal Year 1988 request and the Fiscal Year 1988 appropriations. It includes funding of 157 construction projects either started prior to Fiscal Year 1985 or scheduled to be started during the four-year period Fiscal Year 1985 through Fiscal Year 1988 and includes funds to initiate construction for up to five more projects in Fiscal Year 1989. The names and costs of the Fiscal Year 1989 recommended new construction starts are shown on Table B, which also is attached to this statement. Included on this list is the Santa Ana Flood Control project in California, a $1.3 billion project, of which over $1/3 billion will constitute the non-Federal share and will be provided by the three counties who are the project's sponsors. We believe that Santa Ana is a sound, justifiable project. But I make special mention of it here because it will require a major commitment of construction funds in years to come.

The key to sustaining such an investment level is the increased non-Federal share of project costs and the financing of that share during construction. I am pleased to report our record to date on the beneficiary-pay concept for this appropriation account. Of the 57 new start projects funded prior to Fiscal Year 1988 which require local cooperation agreements, 47 have been negotiated and signed. The other 10 are still active and in various stages of negotiation. Moreover, the local cooperation agreements for two of the Fiscal Year 1988 new starts--Mingo Creek, Oklahoma, and Charleston Harbor, South Carolina--have been signed. This demonstrates that local sponsors, our partners, are willing to pay their share to construct projects that are economically and environmentally sound.

A new line item has been established under this appropriation account to reflect funding requirements for the Inland Waterways Users Board expenses and Army Corps of Engineers expenses in support of the Board. The request is for $280,000--$80,000 for the expenses of the Board, and $200,000 for expenses of the Army Corps of Engineers to respond to requests by the Board for data or studies.

Mississippi River and Tributaries

The budget request for the Mississippi River and Tributaries program is $334 million and is about a $17 million increase over the Fiscal Year 1988 appropriation. We are recommending funds to start construction of an $18 million project at Nonconnah Creek in Tennessee and Mississippi and $17.7 million to continue the Yazoo Demonstration Erosion Control program. Also included in the budget for the Mississippi River and Tributaries program are two new preconstruction engineering and design starts.

Operation and Maintenance, General

The Operation and Maintenance, General, appropriation title covers the operation and maintenance of projects and programs for which the Army Corps of Engineers has responsibility, with the exception of those projects included in the Flood Control, Mississippi River and Tributaries program. The Fiscal Year 1989 program request is for $1.37 billion, a decrease of some $27 million below the Fiscal Year 1988 appropriations. Follow-on funding for most of the add-ons in the Fiscal Year 1988 Continuing Resolution and the need to adhere to the Bipartisan Budget Agreement, necessitate a reduction in low priority recreational operation and maintenance, including dredging of some recreational and low use commercial harbors. While we anticipate this reduction to continue in future budget years, increased recreational user fees, beginning in Fiscal Year 1990, would provide the revenue necessary to maintain the program. We are once again seeking enactment of enhanced user fees. Of the $1.37 billion Operation and Maintenance budget, it is anticipated that upward of $156 million in receipts will be available for appropriation from the Harbor Maintenance Trust Fund.

This program request does not include resources for the inspection of non-Federal levees, which has been transferred to the Flood Control and Coastal Emergencies appropriation, or for regulatory functions, which we are reporting as a separate appropriation in response to congressional direction.

General Regulatory Functions

This is a new appropriation account established in accordance with the Fiscal Year 1988 Energy and Water Development Appropriation Act, Public Law 100-202. This function was formerly funded under the Operation and Maintenance, General, appropriation.

The Fiscal Year 1989 budget includes $60.4 million for the general regulatory program. This amount is some $5.2 million over the Fiscal Year 1988 appropriation, but represents only a modest improvement to a program which has held expenditures to $57.2 and $56.1 million during Fiscal Years 1986 and 1987. The regulatory program is very labor intensive, and we may not be able to maintain current staff levels without the requested budget increase. Changes in program responsibilities over the last four year have added to the work done by our regulatory staffs. There are now more procedural requirements on nationwide permits, increased jurisdiction over isolated waters, expanded coordination with other Federal agencies, and additional duties in controlling certain solid wastes. Thus, the universe of regulatory work continues to expand.

This Administration's regulatory reform effort has yielded savings through improved efficiency. We intend to maintain the quality and level of performance that was achieved through much hard work. However, as our universe of work increases and the funding and manpower levels remain relatively stable, we must carefully consider how to proceed.

We understand the need to hold the line on Federal expenditures. We are focusing attention on those items that are essential to carrying out the regulatory mission as mandated by law. This approach already has resulted in a high level of savings with expansion of the general permits program, streamlining the permit evaluation process, and a general reduction of paperwork and redundancy. For the future, we are investigating how we can avoid review duplication by relying more on those state and Federal applicants whose programs are subject to the same laws and executive orders that influence the Federal regulatory decisionmaking process. Additional savings may be achieved by reducing the services we provide to private applicants, who may be required to shoulder additional expense and time in providing information for the evaluation of their applications.

The conference report accompanying the Fiscal Year 1988 Appropriation Act indicates that no further increases in this program will be considered until the Army submits to the appropriate congressional committees a plan to recover expenses of the regulatory program under this appropriation. We are conducting a study on cost recovery and expect to have a plan ready to submit to the committees in time for congressional deliberations on the Fiscal Year 1989 budget. In all probability, implementation would require legislation.

We should note, however, that we have some concern with the concept of full cost recovery in the regulatory program. The benefits the applicants receive from the program are small in comparison to the public benefits of protecting the Nation's waters. The various regulatory authorities we administer are to ensure that permitted developments do not result in unacceptable impacts on the public interest. I will give you a complete report on my views on this subject when we submit our plan.

General Investigations

The budget request for General Investigations consists of a study program that provides for an orderly and steady flow of designed projects, including reconnaissance and feasibility studies through preconstruction engineering and design to the construction program.

Program emphasis on continuing ongoing work, responding to commitments evolving from both the reconnaissance and feasibility phases of project studies, and balancing out our overall Civil Works Program has resulted in a responsible program and a budget request of $129 million for the General Investigations account. The associated non-Federal contributions will add another $14 million to the program.

Language in Section 634 of the Fiscal Year 1988 long-term continuing resolution effectively prohibits use of subsidy-free prices in the evaluation of agricultural development projects during Fiscal Year 1988. This means that we will be unable to properly evaluate the economic merits of such projects and to differentiate sound projects from unsound ones until October of this year. Accordingly, we are postponing our economic evaluations of such projects while proceeding on all other aspects of project development.

General Expenses

The Fiscal Year 1989 budget request for General Expenses is $123.5 million, an increase of $8.3 million above the Fiscal Year 1988 appropriation and $3 million below our Fiscal Year 1988 budget request. This appropriation, which is essentially for personnel and related costs for the executive direction and management of the entire Civil Works Program, includes requirements for the Office of the Chief of Engineers, the 11 Division Offices, and four support centers. The Fiscal Year 1989 request is based on estimates of known requirements, including increased civilian and military personnel compensation; increased rent, communications and utilities costs; and inflation allowance for ADP and office automation, training, supplies, equipment, and equipment maintenance.

EFFICIENCY IMPROVEMENTS

As a result of the Water Resources Development Act of 1986, we believe, for projects planned and constructed under this Act, that some basic organizational and managerial changes are needed. Increased sponsor participation will require that we be responsive to the sponsor's concern about project costs, funding requirements, and flow of benefits. The Office of the Assistant Secretary of the Army for Civil Works is working with the Army Corps of Engineers to implement measures that will enhance the efficiency, productivity, and predictability of the Corps workload. New procedures will be an integral part of the budget and scheduling process. Such improvements, as I stated earlier, will include the following:

Acceleration of Planning and Design Process

STREAMLINED PROJECT PLANNING AND APPROVAL PROCEDURES

In order to respond better to our project partners and Congress, we will implement measures to accelerate the planning and study approval process. We will jointly develop general guidelines for field application which the District Engineer can follow in order to determine, early on, if the project under preliminary review is or is not a feasible Federal pursuit.

These guidelines will establish field operating parameters. The parameters will provide the District Engineer a better definition of his responsibilities and, thereby, will define an area of authority within which the District Engineer can move more freely. This will allow more freedom and authority in framing the recommended plan and the resulting project, and in addressing the necessary decisions required at District level by the client/community relationship.

REDUCED COST OF PROJECT PLANNING AND IMPLEMENTATION

We want to reduce the time involved in the study review and approval process and to better control project cost, schedule, and budget requirements.

It is our desire to minimize the time between completion of a feasibility report in a District Office and its subsequent submission to Congress. We are continuing to examine the review and approval process to determine how it can be improved. Our analysis has required substantial rethinking and reordering of the roles of the various participants in the planning and review process. This year we will employ a review process on a select group of studies that provides for Departmental review before the District Engineer issues a final report. The objective here is to ensure that the recommended project will enjoy support of all echelons within the Army as it is subjected to the mandatory 90-day state and agency reviews and review by the Board of Engineers for Rivers and Harbors.

Project Manager Concept

Traditionally, the Corps project manager has changed as a project progresses from planning to engineering and design and to construction. In the private sector, a project manager's success depends on assuring project "ownership" and an awareness by all who work on the project that the project manager has the responsibility and the authority to direct and manage all activities on the project. More importantly, the project manager cannot hand off the responsibility for that project until it is completed. Responsibilities and authorities must be clearly delegated to a project manager whose performance is measured by successful project execution from the feasibility phase to completion of construction.

We intend to build upon the Corps ongoing efforts to improve project management by strengthening and stressing project ownership, accountability, performance measurement, and awareness. Rethinking of relationships among Corps functional divisions and commitment to project "ownership" are needed if we are to improve efficiency through use of the project manager concept.

Controlling Project Costs and Schedules

Our policy must be that we reach agreement on the costs and schedules for the projects at the earliest feasible time. We then will strive to ensure that the projects are constructed within the agreed-to costs and within the agreed-to schedules. This approach to firm cost estimates and schedules is necessary because no one, the Federal Government or project partner, can base a financial plan or budget on a moving target.

Construction Productivity Advancement Research

Another initiative is a new program for construction productivity advancement through research and development. Technological advances in the construction of Civil Works type projects would reduce the Federal investment in the overall construction program.

Based on my experience in the private sector, the level of construction research and development spending, both by government and private industry, has been deficient. This has resulted in a loss of American construction industry competitiveness, not only in this Nation but worldwide as well.

There are substantial opportunities to increase productivity in the construction industry. The United States construction industry traditionally invests little in research. As a result, it has fallen further behind its foreign competition as the differences in technology have increased. The goal of our construction productivity advancement research proposal is to provide cost savings and efficiency directly to the Army Corps of Engineers program, as well as benefit the construction industry in general.

As an initial step, we plan to reprogram $300,000 of the Fiscal Year 1988 research and development program to determine the feasibility of a new construction productivity advancement research program. We envision an industry-government cost shared program that is within the existing mission and authority of the Army Corps of Engineers. Particularly applicable to this initiative is the authority under the Technology Transfer Act of 1986. Execution of appropriate research and demonstrations will be a joint effort by Army Corps of Engineers laboratories, academia, and private firms. The focus of the program would be on four major areas: design, construction technology and equipment, materials, and technology transfer management. The latter would involve a series of demonstration projects.

The reprogramed money would be used to determine the potential for a joint program with the private sector. Research needs and sources of non-Federal financing would be identified jointly by industry and government representatives. The program would be managed by the Army Corps of Engineers. If our initial efforts prove successful, I would anticipate advising this subcommittee and Congress at some later date of our plans to continue the effort within the total General Investigations resources proposed in the Fiscal Year 1989 budget.

PROPOSED LEGISLATION

In keeping with our commitment to a biennial authorization schedule, we have submitted to Congress our 1988 legislative proposals which would authorize new water resources development projects; modify the authorization for one project which exceeds the cost limitations imposed by Public Law 99-662; modify provisions of that Act to make technical corrections; and include other authorities to improve the program.

We hope that the members of this subcommittee will support the new authorizing legislation which we have submitted to Congress. Included in that legislative proposal are provisions that would expand our authority to collect fees for the use of project recreation lands and facilities. The current fee program is limited to the collection of fees for specialized recreation services or facilities, for example, campgrounds. The Corps is currently prohibited from collecting entrance or admission fees by Section 210 of Public Law 90-483. Public Law 93-303 limits the Corps to collection of fees for use of highly developed campgrounds and further provides that one free campground will be provided at each project where camping is permitted. The proposal would eliminate these restrictions and would place the Corps on a comparable basis with other agencies concerning the collection of recreation use fees.

If the legislation is enacted, we will use the anticipated increase in revenue to meet the ever increasing needs of our recreation program at our projects.

MANPOWER

The Corps of Engineers has received a small increase in its manpower allocation in Fiscal Year 1988. The actual increase of only 32 FTE's is the net of a decrease of 138 FTE's for savings expected from A-76 (Contracting Out) studies of 550 FTE's to be studied in Fiscal Year 1988 and an increase of 196 FTE's to manage the greatly increased effort devoted to the Superfund Program in 1988. For the budget year, our target is to perform A-76 studies on 845 FTE's with a projected savings of 180 FTE's. The A-76 program is one of a number of valuable management tools available to enable the Army Civil

Works Program to become more efficient, whether or not any work is actually contracted out. The A-76 program, with its built-in protections for current Federal employees, is a proven way for the Government to provide the same level of service at less cost. We are, and intend to remain, in full compliance with Section 8128 of the 1988 Continuing Resolution. We expect a further increase in the EPA Superfund Program requiring another 447 FTE's in Fiscal Year 1989. Our consistent position has been that additional resources required to support EPA's Superfund Program, a task the Corps is uniquely qualified to perform, need to be made available so that this effort does not detract from the execution of the Civil Works Program. This is especially important in recognition of the fact that the Water Resources Development Act of 1986 has produced an increased workload--especially in the labor intensive planning and design activities. The Office of Management and Budget has agreed with this position and has provided additional personnel allocations to allow Corps support to the EPA Superfund Program.

MANAGEMENT OF FOREIGN TRAVEL

I would like to update this subcommittee on foreign travel by the Corps of Engineers and to discuss some related matters.

Civil Works funded foreign travel by the Army Corps of Engineers is associated with the following international activities:

> Activities in support of U.S. treaty commitments with foreign governments;

> Activities in support of specific water development projects overseas authorized by the United States Congress;

- Activities in support of executive agreements with foreign government agencies, approved by the Department of State, related to mutually beneficial scientific and technical exchanges;
- Activities related to international reimbursable technical assistance projects;
- Activities related to foreign research and development contracts;
- Participation on behalf of the U.S. Government in various international organizations; and
- Attendance by Army Corps scientists and engineers at international conferences, workshops, and meetings of international professional organizations.

During the past fiscal year, Mr. Chairman, the Corps of Engineers spent $274,781 on foreign travel. This comes close to, but is still within, the $276,662 limitation set forth in House Report 99-670. A detailed statement of Corps of Engineers Civil Works funded foreign travel during Fiscal Year 1987 is being provided to the subcommittee, which I ask be included in the record of this hearing. The Corps is managing foreign travel in Fiscal Year 1988 within a travel limitation—the same limitation which was used for Fiscal Year 1987. However, I have agreed that consideration will be given to making an inflationary adjustment and, after consideration of the Corps recommendation, I will provide an appropriate adjustment for inflation.

We also are refining and improving our procedures and controls on foreign travel to further ensure that Corps foreign travel and related foreign activities are consistent with all applicable Office of the Assistant

Secretary of the Army (Civil Works), Army, Department of Defense, and other U.S. Government policies. In addition, we are making a special effort to carefully examine travel which the Corps classifies as "routine operational" to ensure that that type of travel fully conforms with all applicable rules, regulations, and U.S. Government policies. I believe the scrutiny being given this category is appropriate and trust that it meets with the subcommittee's approval. At the same time, we also are working to make the foreign travel approval process more efficient and effective and to reduce paperwork to the absolute minimum.

OWNERSHIP AND OPERATION OF CORPS AIRCRAFT

The Administration is proposing in Fiscal Year 1989 to dispose of approximately $13 million in Government assets. Tentatively included on the list of assets to be sold is the Corps of Engineers Headquarters aircraft. In keeping with the statutory language contained a few months ago in the Continuing Resolution on this subject, no effort will be made during the current fiscal year to sell this aircraft. While the 1989 budget assumes the sale of this asset, a final decision within the Administration on whether or not to sell the Headquarters aircraft in Fiscal Year 1989 will be made following the Administration's review of recent studies on the aircraft and the potential for improved efficiency that might be obtained through joint scheduling of the use of this aircraft in conjunction with other Army aircraft.

CONCLUSION

The Fiscal Year 1989 budget shows strong Presidential support for the Civil Works Program of the Army Corps of Engineers.

The efficiency improvements we propose will allow projects to move through planning, design, and construction without many of the delays we have experienced in the past. Studies and projects will be completed on schedule and within agreed-to project costs.

Early decisions will be made as to the future Federal interest on all studies and projects. Project partners and Congress will have increased confidence that, once a commitment is made, there will be a much greater likelihood of a study or project being completed.

The Corps, in my judgment, is an outstanding organization with exceptional planning, engineering and design, and construction capabilities. The times, however, necessitate new operational improvements and efficiencies, ones that should add to the Corps well-deserved reputation. We are committed to enhancing the credibility of the Civil Works Program with Congress and the Administration that is necessary for effective competition for scarce budgetary and personnel resources.

This completes my statement, Mr. Chairman.

TABLE A
DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS - CIVIL WORKS
FISCAL YEAR 1989 CIVIL WORKS PROGRAM
(Dollars in Thousands)

	FEDERAL FUNDS				NON-FEDERAL FUNDS			
	TRUST FUNDS				RIVERS AND HARBORS CONTRIBUTED FUNDS a/			
APPROPRIATION TITLE	INLAND WATERWAY	HARBOR MAINTENANCE	GENERAL FUNDS	TOTAL FEDERAL BUDGET REQUEST	AUTHORIZED	ANCILLARY	TOTAL	TOTAL PROGRAM FUNDING
GENERAL INVESTIGATIONS	-	-	129,271	129,271	14,000	50	14,050	143,321
CONSTRUCTION, GENERAL	77,467	-	1,150,103	1,227,570	185,000	35,000	220,000	1,447,570
OPERATION AND MAINTENANCE, GENERAL b/	-	156,000	1,216,894	1,372,894	3,900	2,800	6,700	1,379,594
GENERAL REGULATORY FUNCTIONS	-	-	60,427	60,427	-	-	0	60,427
F.C., MISSISSIPPI RIVER & TRIB'S	-	-	334,297	334,297	50	200	250	334,547
GENERAL EXPENSES	-	-	123,465	123,465	-	-	0	123,465
F.C. & COASTAL EMERGENCIES	-	-	25,000	25,000	-	-	0	25,000
REVOLVING FUND	-	-	35,174	35,174	-	-	0	35,174
PERMANENT APPROPRIATIONS	-	-	9,000	9,000	-	-	0	9,000
TOTAL	77,467	156,000	3,083,631	3,317,098	202,950	38,050	241,000	3,558,098
OFFSETTING RECEIPTS:								
UNDER EXISTING LAW	-	-	19,100	19,100				
NET TOTAL	77,467	156,000	3,064,531	3,297,998				

a/ Authorized - The non-Federal cash contribution required under terms of existing and proposed agreements.
Ancillary - Estimated cost of unauthorized work requested by non-Federal interests and done on a reimbursable basis.

b/ Includes $15.0 million to be derived from the Special Recreation Use Fee account. The $20.0 million anticipated to be derived from proposed increased recreation use fee legislation would be available for use, starting in FY 1990 if enacted in FY 1989.

TABLE B
DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS - CIVIL WORKS
FISCAL YEAR 1989 CIVIL WORKS PROGRAM
(Dollars in Thousands)

APPROPRIATION AND PROJECT NAME	STATE	BUDGET REQUEST	TOTAL FIRST COST	FINANCING	
				FEDERAL	NON-FEDERAL
CONSTRUCTION, GENERAL					
CACHE CREEK SETTLING BASIN	CA	3,250	21,200	15,600	5,600
SANTA ANA RIVER MAINSTEM	CA	15,000	1,295,000	941,000	354,000
SHEYENNE RIVER, WEST FARGO/RIVERSIDE	ND	2,700	21,700	13,900	7,800
RAMAPO AND MAHWAH RIVERS, MAHWAH AND SUFFEREN	NJ & NY	300	7,910	5,930	1,980
LOCK HAVEN	PA	1,000	78,700	58,500	20,200
SUBTOTAL FOR 5 PROJECTS		22,250	1,424,510	1,034,930	389,580
FLOOD CONTROL, MISSISSIPPI RIVER AND TRIBUTARIES					
NONCONNAH CREEK	TN & MS	1,500	18,100	13,600	4,500
SUBTOTAL FOR 1 PROJECT		1,500	18,100	13,600	4,500
TOTAL FOR 6 PROJECTS		23,750	1,442,610	1,048,530	394,080
AS A PERCENT OF TOTAL FIRST COST			100.00%	72.68%	27.32%

DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS - CIVIL WORKS

This is a report on Civil Works funded foreign travel by Army Corps of Engineers employees during Fiscal Year 1987. This report is prepared in response to House Report 99-670.

The total Civil Works funded foreign travel by Corps personnel in Fiscal Year 1987 was $274,781. This total compares with the limitation of $276,662 for those categories of travel detailed in the report on foreign travel in Fiscal Year 1983 provided to the Subcommittee on Energy and Water Development, Committee on Appropriations, House of Representatives. The costs of travel by Corps personnel which were reimbursed by other Federal agencies or by other governments totaled $184,842. The total cost of foreign travel by headquarters personnel was $32,311. The enclosure contains a detailed list of Civil Works funded foreign travel, including country visited, date of trip, length, number of people on the trip, total Corps cost, reimbursed cost (if any), and purpose of the trip for all Corps divisions and laboratories and for the headquarters. This does not include Civil Works funds expended for the operation and maintenance of the headquarters aircraft, consistent with the response to questions printed on page 1693 of Part I of House Hearings on the Fiscal Year 1987 Energy and Water Development Appropriation Act. Included in the total is $17,059 for the Permanent International Association of Navigation Congresses (PIANC) overseas travel.

In future years, we will continue to manage Civil Works funded foreign travel within a budget constraint, assigning priorities within a predetermined budget and eliminating travel which is of only marginal benefit to the Army.

Enclosure

CIVIL WORKS FOREIGN TRAVEL - FISCAL YEAR 1987

4-Dec-87

ORGANIZATION	DESTINATION	START	DAYS	FUNDING CIVIL	FUNDING REIMB	TRVL	PURPOSE
LMVD	PUERTO RICO	11OCT86	5	1335		1	ATTD OCE SPONS CAREER DAY ACT
	FRANCE	30MAR87	8		2876	1	REV VIDALIA MODEL HYDROPOWER STUDY
	BELGIUM	07JUL87	5	1288		1	ATTD PIANC WORKING GROUP MEETING
	CANADA	14JUL87	10	2505		2	ATTD GEO SLOPE PROT AND EROS CNTRL
MRD	PUERTO RICO	20FEB87	10	943		1	RECRUITING MAYAGUEZ CAMPUS
	CANADA	11MAY87	3	1015		1	BOARD OF CONSULT MTG GARDINER DAM
	CANADA	29MAY87	15	583	2135	2	ATTD AMER INDUST HYGIENE CONF/TAKE EXAM
NAD	FRANCE	03JAN87	14		3204	2	OBSVR PERF PHYS MODEL HYDROPOWER
	FRANCE	05APR87	17		985	1	INSP HYDRO MODEL BLOOMINGTON PROJ
NCD	CANADA	06OCT86	17	2855		5	IJC BOARD MEETING
	CANADA	06OCT86	2	305		1	UGLCC STUDY'S SEDIMENT WORK GROUP
	CANADA	07OCT86	5	1003		2	ATTEND ILSBC MEETING
	CANADA	07OCT86	3	710		1	CONFERENCE INTERNATIONAL WATER ISSUES
	CANADA	07OCT86	6	886		2	INTER SOURIS-RED RVRS ENGR BRD MTG
	CANADA	15OCT86	2	637		1	ATTD IJC ST LAWRENCE SEAWAY DEV CORP
	CANADA	20OCT86	1	83		1	DECISIONS GREAT LAKES PROGRAM
	CANADA	22OCT86	1	739		1	IJC LAKE ONTARIO REG AND NAV PROCEDURE
	CANADA	26OCT86	7	1404		2	US/CANADA ICE WORKING GRP MEETING
	CANADA	28OCT86	2	2		2	UPPER NIAGARA ICE, HYDRAULICS STUDY
	CANADA	29OCT86	2	530		1	ATTEND BILATERAL INFOR WORKING GRP MTG
	CANADA	03NOV86	8	1056		2	ATTD MTG INSP RVR BELOW IROQUOIS DAM
	CANADA	05NOV86	3	1		3	OBSERVE COMPUTER TRAFFIC CONTROL SYS
	CANADA	12NOV86	2	427		1	MTG CLOSING NAV SEASON ST LAWRENCE
	CANADA	13NOV86	5	368		1	DREDGES HOFFMAN & HAINES
	CANADA	29NOV86	2	428		1	ATTD MTG CLOSING 86 ST LAWRENCE SEASON
	CANADA	08DEC86	2	440		1	MTG TRAFFIC FORCAST ST LAWRENCE STUDY
	CANADA	06JAN87	6	1221		3	IJC MEETING
	CANADA	13JAN87	2	461		1	IJC MEETING
	CANADA	10FEB87	2	17		2	IJC MEETING
	CANADA	03MAR87	16	20		4	ATTD MTGS ST LAWRENCE SEAWAY PIANC
	CANADA	10MAR87	2	281		1	IJC MEETING
	ITALY	03APR87	9			1	PRST PPR INTL SYM EMPLOYEE PAID
	CANADA	13APR87	1	10		1	IJC MEETING
	CANADA	30APR87	2	708		2	MTG GREAT LAKES WTR LEVELS STDY(IJC)
	CANADA	06MAY87	2	448		1	IJC GREAT LAKES WATER LEVELS MEETING
	CANADA	13MAY87	3	1062		3	IJC GREAT LAKES WATER LEVELS MEETING

CIVIL WORKS FOREIGN TRAVEL - FISCAL YEAR 1987

4-Dec-87

				FUNDING			
ORGANIZATION	DESTINATION	START	DAYS	CIVIL	REIMB	TRVL	PURPOSE
LMVD	PUERTO RICO	11OCT86	5	1335		1	ATTD OCE SPONS CAREER DAY ACT
	FRANCE	30MAR87	8		2876	1	REV VIDALIA MODEL HUDROPOWER STUDY
	BELGIUM	07JUL87	5	1288		1	ATTD PIANC WORKING GROUP MEETING
	CANADA	14JUL87	10	2505		2	ATTD GEO SLOPE PROT AND EROS CNTRL
MRD	PUERTO RICO	20FEB87	10	943		1	RECRUITING MAYAGUEZ CAMPUS
	CANADA	11MAY87	3	1015		1	BOARD OF CONSULT MTG GARDINER DAM
	CANADA	29MAY87	15	583	2135	2	ATTD AMER INDUST HYGIENE CONF/TAKE EXAM
NAD	FRANCE	03JAN87	14		3204	2	OBSVR PERF PHYS MODEL HYDROPOWER
	FRANCE	05APR87	17		985	1	INSP HYDRO MODEL BLOOMINGTON PROJ
NCD	CANADA	06OCT86	17	2855		5	IJC BOARD MEETING
	CANADA	06OCT86	2	305		1	UGLCC STUDY'S SEDIMENT WORK GROUP
	CANADA	07OCT86	5	1003		2	ATTEND ILSBC MEETING
	CANADA	07OCT86	3	710		1	CONFERENCE INTERNATIONAL WATER ISSUES
	CANADA	07OCT86	6	886		2	INTER SOURIS-RED RVRS ENGR BRD MTG
	CANADA	15OCT86	2	637		1	ATTD IJC ST LAWRENCE SEAWAY DEV CORP
	CANADA	20OCT86	1	83		1	DECISIONS GREAT LAKES PROGRAM
	CANADA	22OCT86	1	739		1	IJC LAKE ONTARIO REG AND NAV PROCEDURE
	CANADA	26OCT86	7	1404		2	US/CANADA ICE WORKING GRP MEETING
	CANADA	28OCT86	2	2		2	UPPER NIAGARA ICE, HYDRAULICS STUDY
	CANADA	29OCT86	2	530		1	ATTEND BILATERAL INFOR WORKING GRP MTG
	CANADA	03NOV86	8	1056		2	ATTD MTG INSP RVR BELOW IROQUOIS DAM
	CANADA	05NOV86	3	1		3	OBSERVE COMPUTER TRAFFIC CONTROL SYS
	CANADA	12NOV86	2	427		1	MTG CLOSING NAV SEASON ST LAWRENCE
	CANADA	13NOV86	5	368		1	DREDGES HOFFMAN & HAINES
	CANADA	29NOV86	2	428		1	ATTD MTG CLOSING 86 ST LAWRENCE SEASON
	CANADA	08DEC86	2	440		1	MTG TRAFFIC FORCAST ST LAWRENCE STUDY
	CANADA	06JAN87	6	1221		3	IJC MEETING
	CANADA	13JAN87	2	461		1	IJC MEETING
	CANADA	10FEB87	2	17		2	IJC MEETING
	CANADA	03MAR87	16	20		4	ATTD MTGS ST LAWRENCE SEAWAY PIANC
	CANADA	10MAR87	2	281		1	IJC MEETING
	ITALY	03APR87	9			1	PRST PPR INTL SYM EMPLOYEE PAID
	CANADA	12APR87	1	10		1	IJC MEETING
	CANADA	30APR87	2	708		2	MTG GREAT LAKES WTR LEVELS STDY(IJC)
	CANADA	06MAY87	2	448		1	IJC GREAT LAKES WATER LEVELS MEETING
	CANADA	13MAY87	3	1062		3	IJC GREAT LAKES WATER LEVELS MEETING

CIVIL WORKS FOREIGN TRAVEL - FISCAL YEAR 1987

4-Dec-87

ORGANIZATION	DESTINATION	START	DAYS	FUNDING CIVIL	REIMB	TVLR	PURPOSE
	CANADA	21MAY87	1	354		1	IJC GREAT LAKES WATER LEVELS MEETING
	CANADA	27MAY87	3	363		1	MTG NORTH DAKOTA&MANITOBA SOURIS RVR
	CANADA	01JUN87	15	3570		5	IJC GREAT LAKES WATER LEVELS MEETING
	CANADA	25JUN87	1	119		1	ATTD SYS PLNG MTG FOR IJC REF STUDY
	CANADA	08JUL87	1	274		1	ATTD IJC REF STUDY MTG WITH CANADA PERS
	CANADA	13JUL87	2	476		1	ATTD SEDIMENT SUBCOMMITTEE MEETING
	CANADA	29JUL87	4	1030		3	STEERING COM MTG IJC LAKE LEVELS STUDY
	CANADA	24AUG87	3	456		1	ATTD MTG IJC COUNCIL GL RSCH MGRS
	CANADA	30AUG87	18	3252		6	ATTD PROJ MGMT TEAM MTG GL LEVELS STUDY
	CANADA	01SEP87	8	964		2	SOURIS-RED RIVER ENGR BOARD TOUR
	CANADA	14SEP87	4	1186		2	MEETING GREAT LAKES LEVELS STUDY
	CANADA	16SEP87	17	2533		7	ATTEND IJC BOARD MEETING
	CANADA	16SEP87	2	415		1	ATTEND LAKE SUPIOR BOARD MEETING
	CANADA	16SEP87	6	664		2	ATTEND GREAT LAKES CTRL BOARD MEETING
	CANADA	21SEP87	11	1970		2	PARTICIPATE IN ANNUAL WEDA CONFERENCE
NED	CANADA	23FEB87	3	533		1	ATTD ATL REG WRKSHP OCEAN DUMPING
NPD	SWITZERLAND	06OCT86	10	1971		1	WITNESS SNETTISHAM TRUBINE MODEL TEST
	CANADA	05NOV86	6	130		6	COLUMBIA RVR TREATY COMMITTEE MTG
	KOREA	17FEB87	33		7662	3	PRT TECH PROP TEAM IND SITES WTR
	CANADA	02MAR87	6	2516		1	CONT PROD FACIL INSP TRP MCNARY UNIT
	CANADA	26APR87	2	220		1	BRIEF PEB IRRIGATION STREAM FLOW DEP
	CANADA	30APR87	2	388		1	PEB MEETING COLUMBIA RIVER TREATY
	CANADA	05MAY87	18	2190		2	ANNUAL SNOW RECONNAISSANCE OF RIVERS
	CANADA	11MAY87	12	2430		2	MTG ONTARIO HYDRO IN TORONTO
	CANADA	19MAY87	3	350		1	ANNUAL SNOW RECONNAISSANCE OF RIVERS
	CANADA	23JUN87	4	1184		2	ATTD COLUMBIA RVR TREATY PERM ENGR BRD
	CANADA	12JUL87	10	2760		2	DIS DELIQUENT DELIVERY OF TURBINE
	CANADA	14JUL87	4	1248		1	INSP EQUIP SNETTTISHAM PROJ
	CANADA	14JUL87	4	40		4	COLUMBIA RVR TREATY OPER COMMIT MTG
	CANADA	29JUL87	12	1248		1	WORLD METER ORG WKSHP STREAMFLOW FOCST
	CANADA	10AUG87	14	3632		2	INSP DEFECTIVE TURBINE SNETTISHAM
	CANADA	12SEP87	4	1282		1	INSP GENERATOR LOWER MONU ICE HARBOR
	CANADA	13SEP87	14	1392		2	INTER JOINT COMM KOOTENEY BRD OF CONTR
	CANADA	21SEP87	5	369		1	INTER JOINT COMM KOOTENEY BRD OF CONTR
	CANADA	22SEP87	4	1038		1	ATTD MTG WESTERN DREDGING ASSOC (WEDA)
ORD	GERM/ENG/PAKAS	09JAN87	16		4200	1	EVAL NAVIGATION INDUS RIVER
	PANAMA	13MAR87	21	2439		3	TO OBSERVE LOCK MAINTENANCE
	CANADA	14JUL87	6	1267		1	BIOTECH SLOPE PROT & EROS CONTROL

ORGANIZATION	DESTINATION	START	DAYS	FUNDING CIVIL	REIMB	TVLR	PURPOSE
	CANADA	30AUG87	6	488		1	ATTD INTER SOC FOR ROCK MECHANICS
	JAPAN	04SEP87	30	4306		2	INSP MOTOR POND CREEK PROJECT
POD	SAIPAN	08OCT86	2	316		1	NIKKO HOTEL PUBLIC HEARING
	JAP/THAI/UDORN	10OCT86	71		5940	1	VOICE OF AMERICA PROJ
	MAJURO	22OCT86	6		688	1	MAJURO EPA PROJ SITE VISIT
	POHNPEI	06NOV86	5	1045		1	INSPECT NANPIL HYDROPOWER PROJ
	KOREA	17NOV86	6	1257		1	PR&A CONFERENCE
	GUAM/SAI/TIN	18NOV86	7	1855		2	MTG/INSPEC/INVEST
	SAIPAN/GUAM	01DEC86	8	1743		1	SURVEY SAIPAN & AGAT HBR
	SAI/TINIAN/ROTA	04DEC86	70		19830	5	OBSERVE EFFECT OF TYPHOON KIM
	GUAM	10DEC86	4	1463		2	AGAT SMALL BOAT HARBOR CEREMONY
	GUAM/SAI/TIN	11DEC86	42	694	4780	3	OBSERVE EFFECT OF TYPHONE KIM
	SAI/TINIAN/ROTA	15DEC86	126		21510	9	OBSERVE EFFECT OF TYPHOON KIM
	GUAM/SAI/TIN	20DEC86	20	433	1429	2	TYPHOON KIM
	GUAM	29DEC86	33	4613		1	INSPEC AGAT SBH PROJ
	THAI/UDORN	05JAN87	14		3140	1	VOICE OF AMERICA PROJ
	GUAM/SAI/CNMI	07JAN87	25	2872		1	SUBSURFACE INVEST
	AM SAMOA	11JAN87	10	2094		3	PROJECT SITE VISIT
	SAI/TIN/ROTA	11JAN87	28	230	2754	2	DMG SURVEY (TYPHOON KIM)
	GUAM/SAI/TIN	20JAN87	88	446	12786	8	DAMAGE SURV REP FOR TYPHOON KIM
	SAMOA/TAU/OFU/	20JAN87	90		8592	3	OBSERVE EFFECT OF CYCLONE TUSI
	GUAM/POHNPEI	22JAN87	8		747	1	FINAL INSPEC FOR TYPHOON LOLA
	SAMOA/TAU/OFU	25JAN87	105		16735	5	DAMAGE SURV REP FOR CYCLONE TUSI
	GUAM	26JAN87	5	1194		1	COORD AGANA FLD CNTL PROJ
	JAPAN	31JAN87	8	1128		1	MTGS/CONFR/SPEECHES
	KWAJ/MAJURO	07FEB87	7	1970		1	EBEYE POWER PLANT CEREMONY
	SAMOA/TAU/OFU	10FEB87	6		1182	1	DAMAGE SURV REP FOR CYCLONE TUSI
	POHNPEI	11FEB87	1	683		1	CONTR ADMIN & QA INSPEC
	JOHNSTON ISL	12FEB87	2	334		1	SV INFO MTG
	KOREA	15FEB87	16		2958	1	TECH PROP PREP HAN RIVER PROJ
	GUAM/SAIPAN	17FEB87	2		340	1	SAIPAN EPA PROJ MEETING
	GUAM/SAIPAN	18FEB87	5		1274	1	TIME & COST FIS MEETING
	SAMOA/TAU/OFU	20FEB87	28		4742	2	GENERATOR REPAIR ASSISTANCE
	KWAJALEIN	16MAR87	16		212	1	ARCHAELOGICAL STUDIES
	GUAM/SAI/POHN	12APR87	7	1204	91	2	INSPEC PROJ
	YAP	13APR87	15	1936		1	YAP COASTAL RESOURCE PROJ
	GUAM/KEY WEST	17APR87	10	1814		1	DRIVER REFRESHER COURSE TRAINING
	GUAM	20APR87	19	2757		1	AGAT SBH INSPEC
	JOHNSTON ISL	20APR87	2	176		1	PROJ COORD HND REPS
	GUAM/MAJURO	22APR87	3		688	1	MAJURO EPA PROJ SITE VISIT

CIVIL WORKS FOREIGN TRAVEL - FISCAL YEAR 1987

ORGANIZATION	DESTINATION	START	DAYS	FUNDING CIVIL	FUNDING REIMB	TVLR	PURPOSE
	GUAM/SAI/CNMI	27APR87	25	4366		1	INSPEC/INVES VAR FLD CNTL PROJ
	GUAM/SAI/CNMI	04MAY87	21	4035		3	CONDUCT WORKSHOPS
	POHNPEI	04MAY87	2	113		1	INSPEC POWER PLANT
	AMERICAN SAMOA	14MAY87	5	949		1	ANNUAL BREAKWATER INSPEC
	GUAM/SAIPAN	28MAY87	2		331	1	SITE INVEST ON SAIPAN EPA PROJ
	KWAJLEIN	09JUN87	2	478		1	STAFF VISIT
	GUAM/KOSREA	13JUN87	15		868	1	AGAT MCCP PROGRAM MEETING
	WAKE ISLE	16JUN87	2	146		1	STARBIRD PROJ
	KOREA	18JUN87	35		2155	1	EVAL TECH PROPOSAL, HAN RIVER PROJ
	SAIPAN	22JUN87	4	280		1	SUPPORT SAIPAN AUTHORIEIES
	GUAM/SAIPAN	22JUN87	4		855	1	SAIPAN PERMIT CLEARANCE
	GUAM/SAI/TINI	24JUN87	36		7440	4	SUPPL DAMAGE SURV REP TYPHOON KIM
	GUAM/SAIPAN	24JUN87	2		310	1	SITE INVEST ON SIAPAN EPA PROJ
	GUAM/SAI/ROTA	29JUN87	4		488	1	SITE INVEST SAIPAN/ROTA EPA PROJ
	KWAJ/HONO/KWAJ	03JUL87	8	1669		1	EVALUATE NON-HOUSING CONTRACT
	GUAM/SAIPAN	06JUL87	5	1152		1	COORD PLANNED ACTIVITIES
	TUTUILA/OFU/TAU	06JUL87	14	4997		1	FLD SURV STRMS/SHL SEC 22
	GUAM/SAI/KOREA	06JUL87	13	957		1	COORD PLANNED ACTIVITIES
	SAMOA	06JUL87	7		900	1	TUTUILA FLOOD INSURANCE STUDY
	GUAM/SAI/ROTA	08JUL87	34	2916		1	INSPEC AGAT SMALL BOAT HARBOR
	GUAM/SAI/ROTA	08JUL87	34		1810	1	INSPECT EPA CONST GRANTS PROJ
	TUTUILA/OFU/TAU	13JUL87	7	974		1	FLD SURV STRMS/SHL SEC 22
	GUAM/MICHIGAN	13JUL87	6	1820		1	PIMRWM REGULATORY TRAINING
	SAIPAN	20JUL87	15	2708		1	SUSUPE CHALON-KANOA FLD CNTRL PROJ
	MAJURO/POHNPEI	21JUL87	9	1733		1	COMPACT OF FREE ASSN MEETING
	GUAM/SAI	23JUL87	8	1552		1	INSPEC AGAT SMALL BOAT HARBOR
	KWAJ/HONO/KWAJ	26JUL87	2	893		1	BRIEFING ON STATUS OF PROJ
	GUAM	01AUG87	28	4450		2	DEV PROP MAP AGANA RIV PROJ
	SAMOA	03AUG87	14		2342	2	INVEST ASAU HARBOR STUDY PROJ
	GUAM/SAI	07AUG87	7	1701		1	SUSUPE CHALON-KANOA FLD CNTRL PROJ
	GUAM/SAIPAN	09AUG87	18		3945	3	INSPECT EPA CONST GRANTS PROJ
	POHNPEI	13AUG87	19	2767		1	REVIEVE OFC CONSTR REP
	SAIPAN	18AUG87	2	332		1	INSPEC PROJ SITES
	GUAM	23AUG87	5	1431		1	INSPEC AGANA FLOOD CONTROL PROJ
	POHNPEI	27AUG87	4	730		1	INSPEC POWER PLANT
	GUAM/SAI	30AUG87	6	1473		1	REGULATORY PERMIT SITE INSPEC
	GUAM/SAI/ROTA	01SEP87	2		331	1	SITE INVEST SAIPAN/ROTA EPA PROJ
	KWAJ/POHNPEI	14SEP87	4	769		1	INSPEC PROJ SITES
	GUAM	15SEP87	14		2049	1	INSPECT EPA CONST GRANTS PROJ
	TUTUILLA/TAU	18SEP87	14	1730		2	COND SEC 103 RECONN FLD INVEST
	GUAM/SAIPAN	19SEP87	18		4095	3	INSPECT EPA CONST GRANTS PROJ

ORGANIZATION	DESTINATION	START	DAYS	FUNDING		TVLR	PURPOSE
				CIVIL	REIMB		
	GUAM/SAIPAN	20SEP87	12	2374		2	COORD GARPAN FLOOD CONTROL PROJ
SAD	GERM/ENGL/PAKA	09JAN87	17		4346	1	US TRD&DEV PROG DEFIN TEAM INDUS RVR
	ENGLAND	20FEB87	10		1380	1	VOA MOD AND EXPANSION PROG
	PORTUGAL	03APR87	36	4665		3	PORTUGUES ARCH DAM/WRKSHP
SPD	CANADA	22SEP87	6	1198		1	PART WEST DREDG ASSOC NAT MEETING
BERH	PUERTO RICO	07AUG87	21	4642		3	SITE VISIT RIO DE LA PLATA PROJ
CRREL	FINLAND	25OCT86	6	1807		1	ATTD POLAR TECH CONF/ITTC ICE COMMITTEE
	CANADA	24NOV86	12	1240		1	COLLECT DATA TAPES YAMACHICHE LIGHTPIER
	CANADA	02JUN87	6	1690		1	ATTD INTER SYM COLD REG HEAT TRANS
	CANADA	30JUL87	11	1880		1	ATTD INTER CONG INQUA PRESNT 2 PAPERS
	CANADA	10AUG87	10	3980		2	PARTICIPATE IAHS/LAHR WORKSHOPS
	CANADA	25AUG87	4	300		1	ATTD WORKSHOP HYDRO OPER AND MAINT
WES	ENGLAND	11OCT86	9	2370		1	REP STATE DEPT DELGTN LON DUMPG CONV
	GERMANY	11OCT86	8	2143		1	DISCUSS WAVE GROWTH DATA WATERLAND DEV
	PUERTO RICO	13OCT86	4	963		1	ENG RECRUITMT UNIV PUERTO RICO
	ENGLAND	14OCT86	4	1630		1	US REP PIANC PTC I WRKSHP GRP 7
	NETHERLANDS	27OCT86	6	1616		1	INTER ASSOC HYD RSCH WAVE GEN&ANALY
	CANADA	02NOV86	12		2296	2	OBSV/PART ACOUSTIC EMIS SRVY GREG LAKE
	TAIWAN	07NOV86	20	3950		2	ATTD 20TH INTL CONF COASTAL ENG
	JAPAN	08NOV86	19	6127		2	PART 12TH US/JAPAN SEDIMENTS TOXIC SUB
	TAIWAN	09NOV86	7	300		1	ATTD INTL CONF COASTAL ENGR(EMPL PAID)
	FRANCE	03JAN87	7		2700	1	OBSVR PERF PHYS MODEL HYDROPOWER
	JAPAN/CHINA	12JAN87	48	11613		3	MEET PRC REP DISCUSS JOINT RSCH DA PROT
	KOREA	17FEB87	11		2937	1	PRT TECH PROP TEAM IND SITES WTR
	ENGLAND	02APR87	9	2577		1	CORPS REP STATE DEPT DELG LONDON DMPG
	CHINA/GUAM	07JUN87	15	3913		1	SITE EVAL DATA COL EQUIP REPAIR
	ENGLAND	24JUN87	19		3314	1	EARTHQUAKE SIM CINTRIFUGAL MOD TESTS
	MEXICO	12AUG87	4	220		1	PRES PAPER STAB GEOTEXTILES STRIP DRAIN
	SWITZERLAND	29AUG87	7	2741		1	PART MTG INTER ASSOC HYDRAULIC RSCH
	CANADA	02SEP87	6	2030		2	MEET W/ QUEENS U NAT RSCH COUNCIL LAB
	CANADA	14SEP87	3	285		1	ATTD ASCE RUBBLE-MOUND BREAKWATER MTG
WRSC	ENG/BELG/NETH	01NOV86	11	1454		1	ATTD MTGS EXEC COMM/COUNCIL PIANC
	CANADA	02NOV86	2	664		1	ATTD INTL WTR RESC ASSC PLNG 3RD WRLD
	JAPAN	08NOV86	10	2666		1	ATTD US/JAP MOU MTG&BRIEF POD ON DRP
	PANAMA	23NOV86	14		2782	2	ATTD MTGS PCC GAILLARD CUT WIDENING

CIVIL WORKS FOREIGN TRAVEL - FISCAL YEAR 1987

4-Dec-87

				FUNDING			
ORGANIZATION	DESTINATION	START	DAYS	CIVIL	REIMB	TVLR	PURPOSE
	BELGIUM	08MAR87	10	2966		2	ATTD FINANCE COMM EXC/CONC PIANC
	PUERTO RICO	26MAY87	4		870	1	ASCE INTER CONF RSC MOB DRK WTR SUPPLY
	MOROCCO	02JUN87	12	2065		1	COORD US ACT FOR PIANC
	MOROCCO/SPAIN	05JUN87	18	1596		2	ATTD PIANC MEETING/VISIT OICC NAVY CONST
	MOROCCO	06JUN87	24	5823		3	ATTD PIANC MEETING OFF DEL OF THE US
	CANADA	22SEP87	19	4189		4	ATTEND WEST DREDGING ASSOC MTG (WEDA)
	CANADA	27SEP87	2	597		1	PREP MTG WRLD CONG WTR RSC/HARVARD NEG
CECW	GERM/UK/BEL/FR	01NOV86	14	238		1	ATTD PIANC CONGRESS/FRENCH ENG
	PUERTO RICO	09FEB87	9	1188		2	INSP REVIEW PLND PROPD PROJS
	KOREA	10FEB87	10		2813	1	SRVE HYDR EXPT HAN RIVER NAV PROJ
	CANADA	22MAR87	3	625		1	ATTD 52ND NRTH AMER WLDLFE & NAT RES
	CHINA/KOREA	11JUN87	12	3730		1	ATTD US-PRC JOINT-COMM ON SCI & TECH
	CANADA	16SEP87	3	494		1	ATTD INTER JT COMM COLUMBIA RVR TREATY
CEEC	ITALY	11OCT86	8		2005	1	PREST SEMINAR EVAL DAM SAFETY
	CANADA	03DEC86	4	1083		1	ATTD COL RVR TREATY PERM ENGR BRD
	PUERTO RICO	06FEB87	7	958		1	PRT INSP CIVIL WRKS PROJECTS
	PUERTO RICO	09FEB87	12	1518		3	INSP CW PROJ
	CANADA	30APR87	6	2143		2	ATTD COL RVR TREATY PERM ENGR BRD
	CHINA	12MAY87	22	7199		2	ATTD 55TH MTG INTL COMM DAMS/ETHQUKE
	CANADA	23JUN87	3	1169		1	ATTD COL RVR TRTY PEB ENTITY EXEC MTG
CEIG	PUERTO RICO	25JAN87	12	3223		2	COND CONST CONTR ADMIN INSP
CEPE	PUERTO RICO	27OCT86	5	856		1	STAFF ASST RESID ENG PONCE/COLGE REL
	PUERTO RICO	04FEB87	4	757		1	COLLEGE RECRUIT MAYAGUEZ CAMPUS
CERD	CHINA/JAPAN	12JAN87	14	3400		1	COORD ICA USACE/CHINESE ORG
	CHINA	11JUN87	12	3730		1	COORDINATE INTER COOPERATION AGREEMENTS
TOTALS			2598	274781	184842	351	

STATEMENT OF LT. GENERAL E. R. HEIBERG III
CHIEF OF ENGINEERS
U.S. ARMY CORPS OF ENGINEERS
BEFORE THE SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
ON THE FISCAL YEAR 1989 CIVIL WORKS BUDGET

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

INTRODUCTION

It is my pleasure to appear before this Subcommittee and to present, along with the Assistant Secretary of the Army for Civil Works, Mr. Robert W. Page, the Fiscal Year 1989 budget recommendations for the Civil Works Program of the Army Corps of Engineers.

I have been before this Subcommittee on numerous occasions since the 1970's to make the case for a strong, rigorous, economically sound and environmentally sensitive program to meet the Nation's water resources needs. I am proud of my involvement with the Nation's water resources program, which dates back to 1955 when I was a Lieutenant in the Corps of Engineers New England Division; and continued when I became commander of the New Orleans District in 1974. Since then I have been privileged to serve as Ohio River Division Engineer, Director of Civil Works, Deputy Chief of Engineers, and, since September 1984, Chief of Engineers.

This year's budget cycle marks the last occasion at which I expect to appear before you as an active duty officer. I will be passing the flag to my successor as Chief of Engineers on the 5th of May; and, although I have no word yet on who that fortunate individual will be, I am pleased to say that, with this Subcommittee's help and support, he will find the Army's Civil Works program in a far more viable state than was the case in previous years. And I can assure him, and you, that he will have the finest team of professionals - and I do not mean just engineers, but all 40,000 people who are part of the U.S. Army Corps of Engineers - to support him in his task of "providing quality, responsive engineering service to the Nation in peace and war."

Over the years, the Corps of Engineers, as part of the Executive Branch of government, has developed a creative partnership with the Congress - and particularly with this Subcommittee - to meet the Nation's water resource needs. We have not always agreed; as the saying goes, "when two people agree on everything, one of them is unnecessary." But where we have disagreed, it has been over the means to achieve our common ultimate goal; and from the give and take fostered by those disagreements, as well as from the far more numerous cases in which we have agreed, has come the consensus - and the credibility - that underlies our entire water resources program.

Since this will be my last opportunity to come before you as Chief of Engineers, I would like, with your permission, Mr. Chairman, to take a look at the Army's Civil Works Program, what it has meant to the Nation, the direction in which it has moved over the past 10 years and the direction in which I see it moving in the years ahead; and then provide a summary of the President's 1989 budget request.

VALUE OF WATER RESOURCES INVESTMENT TO THE NATION

The Nation has invested through the Civil Works program almost $70 billion in the planning, design, construction, operation and maintenance of water resources projects and other programs. Although this investment appears large, it is very small in comparison to the Federal expenditures for many other programs. This fiscal year, for example, Civil Works expenditures will be about three-tenths of one percent of the total Federal budget, a minuscule amount when compared to the importance water has to this nation -- to our commerce, to the quality of our lives, and to our grandchildren.

FLOOD CONTROL

The dual concern for development of the physical wealth of our country and the need for protecting human life from uncontrolled flooding provided the basic incentive for expanding the Corps role in water resources development. Congress enacted legislation particularly in the late '20's and '30's directing the Army Corps of Engineers to study and implement flood control works throughout the Nation.

Over the past 50 years about $23 billion has been invested through our programs in flood control projects. These works include over 400 major flood control lakes operated by us and over 1,700 local protection projects that have been constructed and turned over to local authorities for operation and maintenance. Collectively, these projects have prevented over $160 billion in flood losses over the past 15 years. This is more than 7 times the amount invested in constructing all flood control projects in the past 50 years. And each year additional benefits are realized. For example, during Fiscal Year 1986 and 1987, Corps projects and flood fight efforts prevented an estimated $27 and $5 billion in flood damages, respectively. Even when these numbers are adjusted for inflation, the reality is clear: the investment in flood control is highly productive, and it is this production that provides the basis for non-federal participation in Civil Works projects.

NAVIGATION

Early in this century the Congress concluded that the Federal Government also needed to become more heavily involved in the development of the nation's transportation system if this country was to develop economically. So in 1927, they authorized the Corps to survey the country's navigable streams and to plan for the comprehensive development of waterborne navigation and hydropower, in addition to flood control. Through the years Congress has authorized thousands of individual studies and projects to carry out this mandate.

The Corps has expended over $11 billion throughout the country for the development of the nation's inland and coastal waterways, and its ports and harbors. More than 25,000 miles of commercially navigable waterways have been developed and are maintained at a current annual cost of about $400 million. Facilitated by locks and dams at over 200 sites, some 1.8 billion tons of commodities move along these waterways.

Navigational waterways provide safe, low-cost transportation, and energy-efficient movement of commodities, and serve as a vital link in the nation's intermodal transportation system. In addition to their commerical use, the navigation system is important to maintaining our competitive edge for bulk commodities in world markets and is a vital link in our defense readiness capability. Given this important commercial transportation role, it is well within the capability of inland waterway navigation users and sponsors of our harbors to contribute to the cost of modernization of our navigation channels and waterways.

HYDROPOWER

In meeting needs of this nation the Corps has taken advantage of the hydroelectric power generating capabilities of its projects. Since those early years, we have constructed over 70 multiple purpose projects with hydroelectric installations. The installed generating capacity of these projects totals almost 20 million kilowatts. This represents about one-third of the nation's developed hydroelectric capacity and about three percent of the current national generating capacity from all sources. The energy produced by these projects reduces our dependence on other non-renewable resources such as oil and coal. Fortunately, we can look to the private sector to finance future projects, thus leaving scarce Federal dollars for the Corps main line missions of flood control and commercial navigation.

OTHER OUTPUTS

As the country developed, needs changed and the Nation became aware of the full value of the water resources development for assisting the State and local government in meeting their needs for domestic water supply and outdoor recreation activities. As a result, storage and facilities for these needs have been incorporated into the planning and construction of our projects.

Currently, about 9.5 million acre-feet of water supply storage is impounded in some 106 Corps multiple purpose reservoirs and 6 more are under construction. The storage provides some 4.5 billion gallons of water per day, serving about 5 million persons through augmentation of municipal, industrial and rural water supply sources.

Development of over 4,000 recreation areas at our projects has attracted many visitors with over 500 million visitor-days of use recorded annually. This places us as the second "most visited" federal agency behind only the National Forest Service. As proposed in the Department of the Army's legislative package, enactment of recreation user fees would help us better maintain our investment in recreation facilities.

PERSPECTIVE

Institutionally, the water resources programs are unique when compared to most other types of Federal investments. Normally, investments are authorized by Congress specifically on the basis of anticipated return on the investment, but only after a thorough review of the environmental and other impacts attributable to such developments. No other program gets more scrutiny. I do not decry these tests -- in fact I am proud of them. This intense review helps assure us that our projects provide an improved quality of life for all Americans. Projects are designed and operated to take advantage of the opportunities for the wise management and protection of the quality of water and associated land resources. Therefore, I urge Congress to rely on the orderly review of projects by the Executive Branch. We are all committed to reducing the time it takes to review our projects.

Often overlooked, too, is the Corps mobilization capability for the national defense and critical emergency operations. This capacity serves the nation well, particularly during periods of natural disaster. Our ability to rapidly mobilize skilled and experienced professionals is a facet of the Civil Works program that is of extremely significant value to the nation.

1976 TO THE PRESENT

The Civil Works program has a proud history. Our activities undertaken during the past twelve years as part of three Administrations and in conjunction with seven Congresses have faced new and significant challenges. These challenges came about in a large part because of a National concern over the protection of the environment and growing concern over budget deficits. Mr. Chairman, with your permission, I will show how the Administration, Congress and this Subcommittee utilized the Corps to meet these challenges. It is a story of perseverance, strength, and vision, and ultimately a recognition of the importance of change for the good of the Nation.

After 1976, Congress abandoned the practice of enacting authorization acts on a two-year cycle. It would be ten years later, 1986, that the next authorization act could be passed. This ten year period, 1976 to 1986, was a time of uncertainty not only for the Corps of Engineers, but also for the Administration, Congress, the general public, and State officials.

During the 1970's the Nation became concerned over the impacts of water resources projects on the environment. Some of our projects under construction were stopped, and some never completed. Many projects in the planning and design stage were reformulated to obtain a different balance between economic returns and environmental considerations. To meet the challenge, we rewrote our planning guidelines to more fully accommodate environmental concerns and to include environmental features, where now appropriate, in our project designs.

Then came the 1980's and with them growing concerns over the budget deficits and a reassessment of the Federal role in many national programs. That relook included water resources development. The Administration proposed removing government from competition with the private sector and promoted the "user pay" philosophy. The Congress focused on the level and scope of services the Federal Government should provide. Both branches of government worked together to resolve their differences. However, the impasse extended over a six year period during which the

Administration and this subcommittee became increasingly concerned over the growing delay in starting needed projects. In an attempt to break the deadlock, the President submitted the Fiscal Year 1983 new starts budget amendment. Then in Fiscal Year 1985, the Subcommittee included in a Supplemental Appropriation Bill the funding of 41 new construction starts with implementation based on enhanced cost-sharing and financing proposed by the Department of the Army. The Bill's passage allowed the Civil Works program to function until agreement on a new Federal policy was reached. The 1983 budget amendment and 1985 Supplemental Bill certainly helped to point the way.

On November 17, 1986, the Water Resources Development Act of 1986 was passed and signed into law, a landmark legislation for our program. The Act authorized numerous new projects and, perhaps more importantly, new user fees and cost-sharing requirements for financing water resources projects. It was gratifying that needed program reforms now had the backing of both Houses of Congress and the Administration, and we could move forward to implementing this vital program. The blinking red light had finally turned to green.

To keep the Civil Works program moving forward, Congress and the Administration must work together to preserve the reforms of the Water Resources Development Act. Cost-sharing, for example, is enabling Federal funds to reach a greater number of projects than otherwise would be possible. In this era of budgetary constraint, we simply cannot afford to make exceptions to cost-sharing. Likewise we must avoid using Federal funds to construct projects that are uneconomic or more appropriately should be undertaken by non-Federal interests.

RECENT ACCOMPLISHMENTS .

Yet even though the 70's and 80's were marked by uncertainty, the Corps Civil Works program did manage to make some important contributions.

This was possible because the Administration and Congress, although rethinking the specifics of the Federal role, agreed that the program was too important to the Nation to let it languish.

Even though it was ten years between Acts, '76 to '86, we managed to accomplish some significant milestones, including:

- The construction of the Lock and Dam 26 replacement which is well underway. The project is the key to the total Mississippi River navigation system. It will restore efficient navigation on the Upper Mississippi River by removing its major bottleneck.
- The completion of the Tennessee-Tombigbee Waterway. This 234-mile waterway links the Tennessee and Tombigbee Rivers, a vital route from the heartland of America to the Gulf of Mexico. It has a value I believe that will not be fully recognized for a few years, but in the long run will prove to be a most foresighted investment.

o Completion of the Old River Auxiliary Control Structure on the Mississippi River. This vital structure reduces flood damages, augments fresh water flows to the Atchafalaya basin and guarantees the navigation course of the Mississippi River through the Port of New Orleans.

In addition to constructing projects, the Corps carried out some significant programs and studies. These efforts reflects the varied nature of the Corps contribution to the Nation and include:

o Completing of the National Program of Inspection of Non-Federal Dams. More than 8,800 dams were inspected and safety deficiencies were found in over 2,700, including about 130 in need of immediate attention. The spotlight on unsafe dams was a vital contribution to the safety of many Americans.

o Reforming the Section 404 Regulatory Program. We simplified procedures, removed overlapping jurisdictions, expanded the number of regional or nationwide permits for certain activities and, in general, shortened the time and reduced the effort required to obtain a permit.

o Providing through our "Work For Others" program, engineering and construction support to the Environmental Protection Agency for both the Superfund and the Construction Grants wastewater treatment programs. This work is funded by EPA and OMB has authorized the necessary additional manpower. These two programs enable us to sharpen our technical skills and, at the same time, continue our commitment to provide badly needed environmental repairs to our Nation's lands and waters.

- Initiating a program to rehabilitate as well as improve the operating efficiencies of the country's inland waterways system. We also are involved in improving the Nation's system of harbors and ports and making them more competive in the movements of commodities into and out of this country.
- Completing the special assignment which President Reagan gave the Corps following the initial $1/4 billion clean-up operation undertaken in the aftermath of the disaster created by the eruption of Mount St. Helens in May 1980. Following the clean-up operation, one of the largest disaster response efforts ever undertaken by the Corps, the Corps planned and is now implementing a permanent solution to the flood problems.
- Undertaking the special Louisiana Wetlands Study. It is a vital and important study effort. This work will assess the importance of the wetlands to coastal Louisiana and what this Nation must do to protect them.

CURRENT PROGRAM

Mr. Chairman, the remainder of my presentation will be directed to the Corps current and budgeted program.

The Assistant Secretary has focused on his goals for further improving the efficiency of the Army Corps of Engineers and has provided a brief overview of our Fiscal Year 1989 program and budget request. I will focus on:

- Efficiency Improvements;
- Fiscal Year 1989 program highlights by major appropriation account;
- The planned move to Fort Belvoir;
- General Regulatory Functions; and,
- Construction Productivity Advancement Research.

EFFICIENCY IMPROVEMENTS

It was clear early on that the Corps would have to undergo internal adjustments to respond to the new challenges presented by increased cost-sharing and other provisions contained in the Water Resources Development Act of 1986. In addition, the prospect of future funding reductions suggested that we review all of our operations to determine if we could carry out our responsibilities in even a more efficient manner.

The Assistant Secretary, in testimony, has discussed initiatives for the Civil Works program. I stand squarely in support of those initiatives and they are ours. Our common goal is to embark on measures that will build on our past efforts on improving efficiency, productivity, and predictability of our workload. We and our staffs have been working hard to translate these initiatives into working procedures. We are in this together and Assistant Secretary Page and I both hope we can count on this Subcommittee's encouragement and support in our program of efficiency improvement.

We also are addressing concerns expressed by our project sponsors and Congress on the accuracy of project cost estimates and quicker project implementation. We are committed to a number of steps, including taking advantage of demonstration and test programs which are underway to improve our procedures and processes. We are committed to finding the best way to achieve the goals of improved efficiency which we all clearly desire.

FISCAL YEAR 1989 BUDGET REQUEST

As Assistant Secretary Page stated, this is a remarkably good budget given the national concern over budget deficits. The Administration recognizes the need to continue the development of this Nation's water resources in the principal areas of navigation and flood control.

The budget is based on the reforms embodied in the Water Resources Development Act of 1986 and our collective efforts to implement the reforms equitably and consistently. Overall our budget request totals some $3.3 billion, an amount which is supplemented by nearly $1/4 billion in contributed funds from our project sponsors. I have provided detailed funding information on the table attached to this statement which compares the funding levels by individual appropriation titles for the period Fiscal Year 1987 thru 1989. Now, with your permission, Mr. Chairman, I will give some overall highlights of our budget.

GENERAL INVESTIGATIONS

The budget request for General Investigations account is $129 million. The program also includes additional non-federal contributions of $14 million for feasibility phase studies.

The study program includes funds to initiate 20 new reconnaissance phase studies, an increase of four above last year's budget. They will be addressing critical water resources needs throughout the Nation.

Our request for coordination with other agencies includes a new item called Interagency Water Resources Development. The new item will provide for activities such as meetings with communities and other sponsors who may wish to participate in future studies. Previously, this effort was included in study specific appropriations or distributed to all work via the overhead account. However, the advent of cost-sharing in the General Investigations program requires a more accurate accounting of such costs. The budget includes $1 million for this activity.

We are also continuing the implementation of the new Preconstruction Engineering and Design Program initiated in Fiscal Year 1988. With this program, projects advance from the feasibility phase to the Preconstruction Engineering and Design phase as quickly as possible, by funding these projects as their feasibility reports are being reviewed for submittal to Congress for construction authorization.

CONSTRUCTION, GENERAL

For Fiscal Year 1989, the budget for Construction, General is $1.23 billion in new budget authority and includes $77 million from the Inland Waterways Trust Fund. Despite the constraints set by the recent Bipartisan Budget Agreement, the budget request includes funds to initiate five new construction starts, including the $1.3 billion Santa Ana flood control project in California. In addition, it provides for a new start program through Fiscal Year 1993.

The Construction, General account also includes a new initiative, the implementation of Section 933 of the Water Resources Development Act of 1986 which authorizes cost-shared placement of dredged materials on beaches. We have budgeted $1 million for the Federal share of incremental dredged material placement for projects which may be approved under this program during Fiscal Year 1989. These funds will be used to place beach quality sand, a product of our dredging and maintenance activities on navigation inlets and channels, on beaches of States which make a formal request. Also, each state making such a request must agree to pay for 50 percent of the increased cost to the Corps of placing of the sand in such a manner.

The Water Resources Development Act of 1986 increased the Federal cost ceilings of several authorities within our Continuing Authorities Program. With increased ceilings, we expect that future projects will be larger and more numerous; there will be a greater utilization of the program over the years. With a greater use of the program, we would also expect a similar reduction from the specifically authorized program.

OPERATION AND MAINTENANCE, GENERAL

The budget request for Operation and Maintenance, General, totals $1.37 billion. It includes $15 million from the Special Recreation Use Fee account, and $156 million from the Harbor Maintenance Trust Fund. The program we have laid out meets our highest priority needs. Follow-on funding for most of the add-ons in the Fiscal Year 1988 Continuing Resolution, and the need to adhere to the Bipartisan Budget Agreement, however, necessitate a reduction in low priority recreational operation and maintenance, including dredging of some recreational and low use commercial harbors. We would anticipate this reduction to continue in future budget years. However, increased recreational user fees, beginning in Fiscal Year 1990, would provide the revenue necessary to maintain the recreation program. We are once again seeking enactment of enhanced user fees as part of the new authorization legislation that we have submitted to the Congress.

FLOOD CONTROL, MISSISSIPPI RIVER AND TRIBUTARIES

Our budget for the Flood Control, Mississippi River and Tributaries is $334 million. It includes one new construction start and two new preconstruction engineering and design starts. Of this amount, $4 million is for General Investigations, $219 million is for Construction, and, $111 million is for Operation and Maintenance.

GENERAL EXPENSES

We are asking for some $123.5 million to fund the executive direction and management of the Civil Works program. The request is $8.3 million above the Fiscal Year 1988 appropriation and is basically equivalent to the Fiscal Year 1987 funding level, except for several cost adjustments over which we have no control and a one-time mandated expense. Specifically, these adjustments include:

- $0.8 million in personnel costs to cover anticipated employer contributions under the new Federal Employee Retirement System and the January 1988 pay raise,
- $1.1 million increase in the Standard Level User Charge (SLUC) projected by the General Services Administration (GSA) for office building rent, and

- $0.7 million for GSA mandated purchase of telephone equipment used in the Federal Telecommunications System (FTS).

With the Fiscal Year 1988 appropriation $13 million below our budget request some relief is needed in Fiscal Year 1989. Absorbing the increased costs will result in a reduction in effort at a time when the enactment of the Water Resources Development Act of 1986 requires increased effort in the Office, Chief of Engineers and in Divisions to perform management and review, and to develop policy and guidance.

REVOLVING FUND

New budget authority in the amount of some $35 million is requested for the Plant Replacement and Improvement Program (PRIP) part of the Revolving Fund, for hardware acquisition under the continuing Corps of Engineers Automation Plan (CEAP) and to continue construction of a replacement dustpan dredge. Our PRIP program also includes a request for authority to finance improvements to our Missouri River Division laboratory. Improvements are needed to make the laboratory safe for the handling of toxic wastes in connection with our quality assurance testing for the Environemental Protection Agency (EPA) Superfund and Defense Restoration Fund programs. Improvement costs will be fully reimbursed out of Superfund and Defense Restoration Fund resources.

MOVE TO FORT BELVOIR

As you will recall, the Corps of Engineers headquarters is programmed to backfill space vacated by the U.S. Army Engineer School at Fort Belvoir in accordance with a 1985 decision by the Secretary of the Army. Since 1985, however, there have been a substantial number of stationing and other changes which have caused the Army to review the 1985 decision. Accordingly, we are considering some alternatives to the original plan which accommodate the changes while remaining within the intent and scope of the original decision. In addition to updating the original backfill analysis, two other options are being considered for the Corps headquarters. One would relocate the Corps headquarters into a reduced number of old buildings and one new building on the main post, and a second would move us into a new building at the Humphrey's Engineer Center, located at the northern corner of Fort Belvoir. In any case, a contingent of Civil Works staff will remain in or near downtown Washington to interface with Congress, the Office of Management and Budget, and other agencies and organizations.

A-76 PROGRAM

We are seeking the support of this subcommittee for increasing efficiency through the A-76 Program. A-76, with its built-in protections for current Federal employees, is a proven way for the Government to provide the same level of service at less cost, whether or not any work actually is contracted out. We are in compliance with Section 8128 of the 1988 Continuing Resolution.

Under the Competition in Government initiative of the Management Improvement Plan for Civil Works, the Corps anticipates conducting A-76 reviews of 1,400 full-time equivalent work years between now and the end of FY 1989. We have programmed some $3.4 million for these studies in FY 1989. Consistent with recent congressional directives and since the project positions or functions to be studied are funded under various appropriation accounts, the direct costs will be accumulated and seperately identified under the revolving fund. This will allow us to better track the funds and help assure that all study costs will be fully reimbursed by the other appropriations.

REGULATORY PROGRAM

The Assistant Secretary has already presented our position on our regulatory program. Our concern goes beyond reducing application review times and increasing permit fees. It concerns the responsiveness of our regulatory program and our service to the public.

We have worked hard to make the regulatory part of our mission a respected program by all those concerned with water resources development and land development. We have accomplished this by balancing developer, public and environmental interests. This has been very difficult to do, given the complexity of the program's objectives. We feel that we have done a very good job and I strongly believe that no other agency could match our record of performance and efficiency, given the constraints of manpower and dollars. If we are to maintain the viability of this national program we need the continued support of this subcommittee.

CONSTRUCTION PRODUCTIVITY ADVANCEMENT RESEARCH

In the area of construction research our laboratories have long taken a lead in developing better and more efficient ways of planning, designing, constructing, operating, maintaining, assessing, managing, evaluating and developing water resources projects.

The Assistant Secretary has brought to our attention, through his Construction Productivity Advancement Research proposal, that more needs to be done in both construction research and to ensure that the results of our research are in a form that is useful to the construction industry. We propose to do more in both of these areas.

CONCLUSION

The provisions in the Water Resources Development Act of 1986 provide opportunities for us to enhance even more our efficiency, productivity and predictability of the Civil Works Program. The Fiscal Year 1988 Bipartisan Budget Agreement further underscores the need to look for more ways to improve efficiency. We have and are taking steps to improve this efficiency.

The Administration and the Congress defined the new Federal role in water resources development. What we need to do now is to implement that role in a manner fully consistant with the joint venture approach with our sponsors as mandated by Public Law 99-662. Assistant Secretary Page is extremely well qualified, based upon a lifetime of experience in the engineering and construction business, to lead the way. I urge you to support him in any way you can.

I and members of the Corps family are extremely proud of our contributions to the development of this Nation's Water Resources. As I retire, I take great satisfaction in reflecting on the many magnificent projects with which I and the Corps family, both past and present, have been involved. But my greatest pride and satisfaction comes from the knowledge that I know I leave an organization that is prepared and eminently qualified to address the future water resource needs of this Nation.

DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS - CIVIL WORKS
SUMMARY OF PROGRAM AMOUNTS FOR FISCAL YEARS 1987, 1988, AND 1989
(Dollars in Thousands)

APPROPRIATION TITLE	1987 (Approp.)	1988 (Approp.)	1989 Budget Request
GENERAL INVESTIGATIONS	136,162	138,767	129,271
CONSTRUCTION, GENERAL			
General Funds	1,122,918	1,162,175	1,150,103
Inland Waterway Trust Funds	26,000	38,000	77,467
TOTAL Approriation	1,148,918	1,200,175	1,227,570
OPERATION AND MAINTENANCE, GENERAL			
General Funds	1,342,471	1,241,000	1,201,894
Special Recreation User Fee	12,500	12,000	15,000
Harbor Maintenance Trust Funds	35,000	147,000	156,000
TOTAL Approriation	1,389,971	1,400,000	1,372,894
GENERAL REGULATORY FUNCTIONS	n.a.	55,262	60,427
F.C., MISSISSIPPI RIVER & TRIB'S	310,797	317,704	334,297
GENERAL EXPENSES	118,232	115,200	123,465
F.C. & COASTAL EMERGENCIES	10,000	20,000	25,000
REVOLVING FUND	12,000	0	35,174
PERMANENT APPROPRIATIONS	10,885	9,000	9,000
TOTAL, FEDERAL BUDGET AUTHORITY	3,136,965	3,256,108	3,317,098
RIVERS AND HARBORS CONTRIBUTED FUNDS	114,943	233,000	241,000
TOTAL PROGRAM	3,251,908	3,489,108	3,558,098

RESPONSES TO QUESTIONS
RAISED BY
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
ON
FY1989 CIVIL WORKS BUDGET REQUEST OF THE ARMY CORPS OF ENGINEERS

QUESTION 1

Please contrast the FY 89 request with the FY 88 request and the appropriated level. What effect will proposed increases or reductions have on agency programs?

ANSWER

The FY1989 budget request of $3.317 billion for the overall Civil Works program is some $61 million or about two percent greater than the FY1988 appropriations and as such is consistent with the Bipartisian Budget Agreement. The FY1989 budget request also is some $46 million higher than the FY1988 budget submitted to Congress last year. The increase we proposed results from the follow-on funding needs of the FY 1988 new start adds. Although the first year funding for the six FY1989 new starts amounts to $23.8 million, the outyear total Federal commitment is $1.05 billion.

Three appropriation accounts warrant special mention.

General Regulatory Functions. We have budgeted some $60.4 million for this program, formerly funded under the Operation and Maintenance, General account. This represents an increase of $5.2 million over previous appropriations. However, the conference report accompanying the FY1988 appropriation act indicated that no increase in this program will be considered until Army submits a plan to recover the expenses incurred under this account. Such a study is now under way and should be completed within the next two months. In all probability implementation would require legislation. We will apprise the Committee of our study results.

General Expenses. We have budgeted $123.5 million in FY1989 to pay for the executive direction and management of the entire Civil Works Program. While this is an increase of some $8.3 million above the FY1988 appropriation, it is some $3 million below our FY1988 request. The increase covers several costs over which we have no control plus a one-time, GSA mandated expense for the purchase of some telephone equipment. As the committee can appreciate, passage of the 1986 Water Resources Development Act requires increased emphasis on the need to develop new policy and guidance and to undertake new management initiatives that will enhance the efficiency, productivity and predictability of the Civil Works program. We have taken and continue to take steps to achieve these objectives.

Operation and Maintenance, General We have budgeted about $1.37 billion for this account, some $27 million below the FY1988 appropriation level. Follow-on funding for most of the add-ons in the FY1988 Continuing Resolution and the need to adhere to the Bipartisan Budget Agreement necessitated our having to reduce the request for this account. The program we have laid out meets our highest priority needs. However, we have reduced the lower priority maintenance of some project recreation sites and the dredging of some recreation and low use commerical harbors.

Draft legislation recently submitted by this agency for consideration during the second session of the 100th Congress contains a suggested amendment to the Land and Water Conservation Fund Act of 1965. The proposed amendment would expand our authority to collect fees for the use of our project recreation sites. The proposal would not only place the Corps on a comparable basis with other Federal agencies, but also provide the additional revenue needed to maintain the recreation program. If enacted into law this session, it is estimated that some $20 million in increased receipts would be generated and available to us in FY1990.

QUESTION 2

What personnel increases or decreases are being proposed in FY 89 compared with FY 88 levels?

ANSWER

The Army Corps of Engineers has been given an increase of 388 Full Time Equivalents (FTEs) with a manpower allowance of 28,615 for FY1989. The increase was granted only for use in the rapidly increasing support being given the Enviromental Protection Agency for its Superfund and its construction grant programs. This increase is net of a reduction of 180 FTEs reduction projected to be realized from A-76 studies of potential productivity savings.

QUESTION 3

Please discuss any rescissions, deferrals or supplementals proposed for FY 88.

ANSWER

As of this date, we have no knowledge of any proposed rescission, deferral or supplemental for FY1988.

QUESTION 4

Please indicate if any legislative initiatives are necessary, or are being considered, to implement any part of the agency's FY 89 budget request or program objectives. If so, please describe these proposals and specify the budgetary impact of each provision.

ANSWER

There are two legislative initiatives being proposed which are necessary to execute the FY1989 Civil Works budget request. The first, which is included in the Army Civil Works legislative proposals for FY 1989, requests authorization for the Corps to acquire land for the construction of a replacement laboratory facility for the Ohio River Division. The second, which is included in appropriation language requested in the FY1989 budget for the Corps Revolving Fund account, would provide authority to improve the Missouri River Division Laboratory to permit quality assurance testing in support of the Environmental Protection Agency Superfund program and Department of Defense environmental restoration programs on a fully reimbursable basis.

The Civil Works legislation recently introduced is intended to reestablish the regular two-year cycle of water resources development authorization acts. The proposal provides, for example, construction authorization of four new projects; modifies the authorization for one project which exceeds the cost limitation imposed by Public Law 99-662; and addresses some concerns related to our program such as the increased user fees we are seeking, as was discussed in our answer to your Question 1. We feel that reestablishing the two year authorizing cycle is important if we are to maintain the impetus of the 1986 WRDA and restore the viability of our construction program. In so doing, we also will be able to sustain continuity with those project sponsors who have cost shared our feasibility phase studies and are working with us to expedite the preconstruction engineering and design of those projects not yet authorized for construction.

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, DC 20310-0103

10 MAR 1988

Honorable Robert T. Stafford
United States Senate
Washington, D.C. 20510-6175

Dear Senator Stafford:

Thank you for your recent letter requesting information on the Corps of Engineers Fiscal Year 1989 Civil Works Budget Request.

I have attached information which I hope addresses the questions in your letter. If I can be of any further assistance, please do not hesitate to contact me.

Sincerely,

SIGNED

Robert W. Page
Assistant Secretary of the Army
(Civil Works)

Attachment

CF:
SASG
SACW(File, read, signer)
JR/fl/10 Mar 88
Acct #64.1; Doc #44
OCE, CECW-RL, PULASKI COMEBACK CY

RAUSCH/272-0117 HATCH/272-0099

SENATOR STAFFORD
QUESTIONS ON THE CORPS OF ENGINEERS
FISCAL YEAR 1989 CIVIL WORKS BUDGET REQUEST

1. QUESTION. Please provide a table showing the Corps of Engineers Construction General, O&M, MR&T, General Regulatory, and General Investigations budget for the past 15 years in both constant and real dollars.

ANSWER. The following tabulation provides the requested information at actual and at October 1987 price levels. Regarding the Regulatory Program, data for this account is included in the O&M amounts through Fiscal Year 1988 in the first table, below. A breakout of the Regulatory Program amounts, including the Fiscal Year 1989 separate request, is provided in the table following this one. Both tables show appropriation amounts through Fiscal Year 1988; Fiscal Year 1989 amounts are the President's Budget request. The Regulatory Program table also presents expenditures for the past 15 years.

Constant Dollars Value of Corps Program

(Dollars in Millions)

	General Investigations		Construction, General		Operation & Maintenance		Mississippi River and Tributaries	
Fiscal Year	Actual	Oct 87	Actual	Oct 87	Actual	Oct 87	Actual	Oct 87
1975	65	145	966	2334	495	1095	120	269
1976	67	142	1237	2791	582	1191	205	446
1977	72	132	1430	2864	668	1228	231	442
1978	107	197	1538	2876	769	1352	253	451
1979	138	237	1344	2356	833	1398	223	381
1980	142	222	1660	2695	941	1447	211	331
1981	134	192	1594	2394	968	1380	237	345
1982	137	184	1430	2010	1025	1366	256	351
1983	139	167	1508	1942	1201	1456	403	506
1984	136	155	927	1127	1185	1350	302	350
1985	141	159	947	1098	1308	1433	322	351
1986	123	141	880	1017	1260	1368	301	327
1987	136	148	1149	1259	1390	1471	311	332
1988	139	144	1200	1256	1400	1429	318	368
1989	129	129	1228	1228	1373	1373	334	334

Corps of Engineers Regulatory Program Budget History
(Dollars in Millions)

	Appropriation		Expenditures	
Fiscal Year 1/	Actual Dollars	Oct 87 Dollars	Actual Dollars	Oct 87 Dollars
1975	9.3	20.7	16.2	36.1
1976	20.0 2/	42.4	21.2	44.9
1976T	5.5	11.7	5.8	12.3
1977	35.8 2/	65.6	30.0	55.0
1978	41.5 2/	76.4	36.9	67.9
1979	43.4	74.5	43.2	74.2
1980	40.0	62.5	40.8	63.8
1981	41.9	60.0	43.5	62.3
1982	48.9	65.7	45.8	61.5
1983	47.0	56.4	46.0	55.3
1984	49.5	56.4	50.9	58.0
1985	49.5	55.8	53.8	60.7
1986	49.5	56.7	57.3	65.7
1987	50.0	54.4	56.1	61.1
1988	55.3	57.3		
1989	60.4 3/	60.4		

1/ Prior to FY 1988, the Regulatory budget was included as part of the Operation and Maintenance, General, program.

2/ FY's 76 & 77 & 78 increases were for phased-in expansion of Section 404 programs to all waters of the United States in accordance with U.S. District Court order of March 1975.

3/ First Year as Separate Budget Request

QUESTION. I note that approximately 14 percent of the Corps estimated budget for Fiscal Year 1989 will come from local cost sharing and trust fund revenues. I assume that during the next several years, as greater proportions of ongoing Corps projects are constructed under the new cost sharing rules, that increasing proportions of the Corps budget will be comprised of non-Federal dollars. Realizing that numerous unknowns would make it difficult to give exact estimates, please provide your best guess as to how that funding mix will change during the next several years. Also, please provide similar figures for the General investigations budget.

ANSWER. The 14 percent cited in the formal statement of Mr. Page refers to the funding for the entire Civil Works program. Non Federal cost sharing and trust fund revenues supplement appropriations to the General Investigations; Construction, General; Operation and Maintenance, General; and the Flood Control, Mississippi River and Tributaries (M R & T) accounts. The 14 percent rate is expected to be maintained if not increased by one or two percent. However the percentages for the individual account will vary.

The level of contributions for cost sharing of feasibility phase studies depends upon the number of reconnaissance phase studies funded in future years and the success rate for continuing with the follow-on feasibility phase studies. It is anticipated that the non-Federal share could average around $14 - $18 million or about 11 - 14 percent of the anticipated Federal funding requirements for that account over the next several years.

The extent to which trust funds will supplement the general revenues in the Construction, General account over the next several years is contingent upon future decisions regarding construction of Inland waterways projects now being funded for preconstruction engineering and design and/or land acquisition. Use of Inland Waterways Trust funds has been increasing over the last several years and could range from the $80 million requested for FY1989 to $120 million over the next several years. The non-Federal share of construction costs for projects other than for lock and dam replacements could vary from 11 - 14 percent of the Federal request, or approximately $185 million annually.

Use of receipts from the Special Recreation User Fees account and the Harbor Maintenance Trust Fund should meet about 12 - 13 percent of the anticipated program for the Operation and Maintenance, General account. In addition some $2 million in cost sharing from the sponsors of ports with project depths of over 45 feet are expected starting in FY1990. The projects are now under construction.

The contributions for M R & T projects are for the study and construction programs. Currently the contributions represent $2 - 4 million, or about one percent of the Federal funding requirement for the M R & T program.

3. Question. Please provide a table showing projected out-year expenditures for the Santa Ana flood control project.

Answer. Our current out-year expenditure schedule of Federal Construction, General funds for the Santa Ana project is shown below. This schedule is based on the Fiscal Year 1989 budget request and considers this project by itself without regard to the rest of the Civil Works program. Furthermore, the schedule is subject to change as the result of availability of required lands, contractor performance, and other factors.

Fiscal Year	Construction, General Expenditures
1989	$15,000,000
1990	50,000,000
1991	100,000,000
1992	100,000,000
1993	100,000,000
Scheduled Balance	535,897,000
Unscheduled Balance	23,365,000

Congressional Interest: Senator Stafford

REDUCED O&M - RECREATION OPERATIONS AND DREDGING

4. Question. I understand that because of your reduced Operation and Maintenance, General budget, you intend to reduce "low priority" recreation operation and maintenance and to cut back on the dredging of some recreational and low use commercial harbors. Please provide a state-by-state listing of those projects that will be affected, what their funding would be assuming the fiscal year 1988 level of funding for O&M, and what their level of funding would be if your proposed recreation user fee legislation were enacted.

Answer. The Corps FY 1989 recreation program reflects a reduction in order to allow budgeting for follow-on requirements of projects and studies in the FY 1988 Continuing Resolution Act, while remaining consistent with the Bipartisan Budget Agreement. The attached listing shows by state and by project potential activity approximating the amount that our requested FY 1989 recreation program is exceeded by the FY 1988 program. Since dredging needs vary significantly from year to year, such a list represents only a current estimate of future priorities.

Overall, dredging of recreation and low-use commercial harbors has been scheduled such that the impact on users is minimized. Channel condition surveys and user reports will be monitored in the year of execution so that shoaling rates and locations do not force the closure of channels to navigation traffic, thus reducing the impediment to any local industry or commerce.

We will also continue to evaluate how best to absorb the reduction below FY 1988 levels at recreation areas of completed projects. If our proposed user fee legislation is enacted we will request appropriation of any additional receipts to enhance the budgeted level of recreation area operation and maintenance.

OPERATION AND MAINTENANCE, GENERAL
REDUCED AMOUNTS FOR RECREATION SITES AND LOW USE COMMERCIAL NAVIGATION DREDGING COMPARED TO FISCAL YEAR 1988 FUNDING LEVELS

State	Project	Reduction
		($1000)
AR	NORFORK LAKE	211
AR	NARROWS DAM-LAKE GREESON	247
CA	CHANNEL ISLANDS HARBOR CA	2,000
GA	WEST POINT DAM AND LAKE	159
GA	RICHARD B RUSSELL	164
KY	BARKLEY DAM AND LAKE BARKLEY	4,000
LA	OUACHITA & BLACK RIVERS AR & LA	233
MD	FISHING BAY	1,184
NJ	COHANSEY RIVER	1,545
NY	LONG ISLAND INTRACOASTAL WATERWAY	1,355
OK	FORT GIBSON LAKE	184
OK	EUFAULA LAKE	203
OK	TENKILLER FERRY LAKE	178
PA	RAYSTOWN LAKE PA	228
TN	J PERCY PRIEST DAM AND RESERVOIR	182
	Total	12,072

General Regulatory Functions

5. QUESTION: Please describe in some detail the various reasons for the requested increase in your General Regulatory Functions budget. As part of your answer, please quantify any increase in workload over the past 5 years. How have manpower requirements changed during the same period? What would be the practical consequences of an appropriation below the amount requested for General Regulatory Functions? Is the regulatory program presently experiencing any problems due to inadequate funding? If so, what are they?

ANSWER: The request for the increase in the regulatory budget from $55.3 to $60.4 million is based on the program's increasing complexity and growing workload plus the need to maintain current staff. In FY 86, we expended $57.3 million and in FY 87 $56.1 million. Our FY 88 budget request was $60 million. The FY 88 appropriation is $55.3 million which, as a separate appropriation, cannot be increased without Congressional authorization. Because this program is very labor intensive, we will need the increase to restore the program to personnel levels of 2 years ago.

The growing complexity of the regulatory program is straining its declining resources. Applications are more difficult to evaluate and coordinate than they were 5 and 10 years ago; attractive permit sites have been developed so builders are moving into more ecologically sensitive areas. Minor projects are now permitted through regional permits leaving only the more difficult projects for individual applications. In addition, the public demands far more input into the application process than in the past. "Expert" consultants are now routinely hired, inundating Corps personnel with data, both pro and con. The recent expansion into isolated waters has greatly increased the scope of jurisdiction. The 1985 coordination agreements with other Federal agencies have severely complicated the review process on controversial applications.

Over the last five years the number of applications received annually has remained at between 13,500 and 14,500. The number of other activities authorized under regional permits, however, has more than doubled from the 10,000 such minor projects in FY 83. In our enforcement work, almost 6,000 alleged violations were reported to the Corps in FY 87 vs. 3 years ago when we were handling 4,300 a year. With the expansion of the program into isolated waters, the need for jurisdictional determinations has increased dramatically. Last year we made over 10,000 jurisdiction determinations whereas 3 years ago the number of such determinations was too small to be considered an accountable workload factor.

The demands on our manpower have increased as we have described above with some reallocation of Corps manpower. At the end of FY 81 we had about 830 FTE's in our regulatory offices. This increased to about 910 by FY 85, however, because of budget limitations in the regulatory program the figure had dropped to 870 by FY 87. We expect that under the current FY 88 budget we will not fill some vacancies so this figure will decline further by the end of the year.

Without the regulatory request of $60.4 million there would be further decreases in our staff resulting in greater delays for the regulated public as well as increased potential for flawed decision making because of workload pressures. At this time, we are averaging about 80 days to review an application, about ten percent higher than a year ago. Our application backlog is over 7,000, 40 percent higher than a year ago. This decline in performance can be partly attributed to inadequate funding because of its impact on personnel levels.

PROHIBITION OF USE OF SUBSIDY-FREE PRICES IN EVALUATION OF AGRICULTURAL DEVELOPMENT PROJECTS

6. Question. Section 634 of the Fiscal Year 1988 Continuing Resolution prohibits the Corps of Engineers from using subsidy-free prices in the evaluation of agricultural development projects in Fiscal Year 1988. Please identify which projects this will affect. How will the Corps provide for consistant evaluation of these projects given this restriction?

Answer. Below is a list of projects authorized for construction and funded for preconstruction engineering and design in FY 1988 which produce agricultural benefits.

ACTIVE AUTHORIZED PROJECTS POTENTIALLY IMPACTED BY ASSUMPTIONS REGARDING NORMALIZED PRICES

PROJECT	STATUS	DISTRICT
Douglas Lake, KS	Active	Tulsa
Upper Little Arkansas Watershed, KS	Active	Tulsa
St. John,s Bayou, Mo	Active	Memphis
Sheyenne River, ND	Active	St. Paul

In accord with the guidance from the Director of the Office of Management and Budget, we are asking our field offices to postpone evaluation of the economic benefits of measures that enhance production of subsidized crops until the beginning of Fiscal Year 1989 when we will be able to resume use of the appropriate price estimates and again be able to identify sound investments in support of our agricultural sector. In the case of studies where we have a cost sharing partner, the situation will be explained to the partner so that we maintain our credibility and give the assurance that we will maintain all other study activities to the extent possible and that we intend to resume orderly progress by next October.

STUDIES AUTHORIZED IN PL 99-662

7. QUESTION: For the following programs and studies authorized in Public Law 99-662, please list what funds, if any, have been requested for FY 89 and whether or not, and how much funding will be requested in future years. Also, where funds have not or will not be requested for a particular program or study, please explain why not:

Sec. 606 - Chesapeake Bay erosion control projects;
Sec. 704(a) - Study of Corps Capability to conserve fish and wildlife.
Sec. 707 - Capital investment needs for water resources;
Sec. 719 - Project evaluation and selection criteria;
Sec. 729 - Study of water resources needs of river basins and regions;
Sec. 730 - Study of recapture of benefits of increased land values;
Sec. 731 - Study of rising oceans;
Sec. 908 - Mitigation fund;
Sec. 925 - Compilation of laws;
Sec. 1101 - Ice control;
Sec. 1103 - Upper Mississippi River Master Plan;
Sec. 1135 - Project modifications for improvement of environment;
Sec. 1201 - State dam safety grants, dam safety officer training, dam safety research, and dam inventory.

ANSWER:

The Chesapeake Bay erosion control projects included in Section 606 of Public Law 99-662 were authorized without benefit of a Corps report which demonstrates that they have net economic benefits and are in compliance with current policy. Funding for these projects is not included in the Fiscal Year 1989 budget. The feasibility of proceeding with such erosion control measures is being investigated under the Chesapeake Bay shoreline erosion study which was initiated in Fiscal Year 1985 and is included in the Fiscal Year 1989 budget in the amount of $415,000, with an identical amount of non-Federal matching funds. The study will evaluate all adverse impacts associated with storm damage along the shoreline and determine the costs and benefits of potential projects. A field modeling and monitoring program will construct and monitor 7 features to investigate innovative measures for providing cost-effective solutions.

For Section 719, Project evaluation and selection criteria, funds were allocated in FY 1988 to initiate and complete the study. For Sections 704(a), 707, 729, 730, 731, and 1101, no funds have been requested in FY 89, nor have we established a schedule for future years. No determination has been made yet whether or not to request funds for any of these studies in the future.

The environmental protection and mitigation fund and project modifications for improvement of the environment authorized by Sections 908 and 1135, respectively, of Public Law 99-662 are not included in the Fiscal Year 1989 budget. Budgetary constraints and competing priorities precluded funding for either of these initiatives.

We are currently reviewing a proposal from West Services, Inc., for preparation and printing of the compilation of laws required by Section 925 of Public Law 99-662 (FLICC/FEDLINK Contract #J74588BOA). We estimate that the compilation and printing or reprinting will be completed in December 1988 and that such work can be completed with previously appropriated funds.

Our budget request for FY 1989 includes $7 million for work on the Upper Mississippi River Master Plan. The current funding schedule is based on an estimated September 1997 completion date.

Budgetary constraints and program priorities precluded consideration of funding the grant program and research phase of Section 1201, Title XII, Dam Safety, of the 1986 WRDA. Development of a training program for state dam safety inspectors is considered a non-federal responsibility. Funding amounting to $500,000 is requested for FY 1989 to continue the inventory updating efforts to be initiated in FY 1988. The inventory program is expected to continue until the backlog of new projects is incorporated, but not beyond the authorized FY 1992 timeframe.

CONSTRUCTION PRODUCTIVITY ADVANCEMENT RESEARCH PROGRAM

8. Question. Please provide a detailed explanation of your Construction Productivity Research Program. Please explain how you will take advantage of the Technology Transfer Act of 1986 in this effort. How much private sector involvement do you anticipate? Do you anticipate that any additional legislation will be needed to help implement any of your initiatives in this area?

Answer. The Construction Productivity Advancement Research Program is a proposed new research and development initiative to address the problem of low productivity in the construction industry. This new program is a Corps-industry cost-shared partnership for construction productivity advancement through research and development. Technology advances in construction would improve productivity and reduce the cost of Federal water resources construction projects.

Based on detailed studies on construction productivity by the National Research Council, the Office of Technology Assessment, and others, the level of construction research and development spending, both by government and private industry, has been deficient. This has resulted in a loss of American construction industry competitiveness, not only in this Nation but worldwide as well.

There are substantial opportunities to increase productivity and reduce costs in the construction industry. The goal of our Construction Productivity Advancement Research proposal is to provide cost savings and efficiencies directly to the Army Corps of Engineers program, as well as benefit the construction industry in general. The program we envision is an industry-government cost shared program that is within the existing mission and authority of the Army Corps of Engineers. Particularly applicable to this initiative is the authority under the Technology Transfer Act of 1986. The program would be managed by the Army Corps of Engineers. Execution of appropriate research and demonstrations will be a joint effort by Army Corps of Engineers laboratories, academia, and private firms. The focus of the program would be on four major areas: design, construction technology and equipment, materials, and technology transfer management. The latter would involve a series of demonstration projects.

We plan to inform the construction industry, that is, private firms, industry and professional associations, academia, and other government agencies about the Construction Productivity Advancement Research program to determine the potential for joint projects with the private sector. Research needs and sources of non-federal financing would be identified jointly by industry and Corps of Engineers representatives. If our initial efforts prove successful, we would anticipate advising this subcommittee and Congress at some later date of our plans to continue the effort within the total General Investigations resources proposed in the Fiscal Year 1989 budget.

We have sufficient existing legislative authorization to initiate the program. However, as we continue our program development efforts we may determine the need for additional legislation.

MOVE TO FORT BELVOIR

9. QUESTION: Please detail any expenditures that will be used to study or otherwise accomplish moving the Corps Headquarters to Fort Belvoir, Virginia. When do you anticipate that this move will take place? What funding and administrative steps will have to be taken before this schedule can be met? What effect do you believe this move will have on the Corps ability to respond to Congress?

ANSWER: Relocation of the Corps Headquarters to Fort Belvoir can take place in the late FY 1991 to early FY 1992 time frame. This action is part of the Fort Belvoir backfill announced by the Secretary of the Army in February 1985 in conjunction with the decision to consolidate Engineer training at Fort Leonard Wood in Missouri. A copy of the Secretary's announcement is attached. The current working estimate for the relocation of the Corps Headquarters, in accord with the Secretary's announcement, is $25 million to modify nine existing buildings at Fort Belvoir and $6 million in moving and other associated one-time costs. In addition, the Corps will retain in downtown Washington, D.C., or at the Pentagon, sufficient staff and senior officials to provide appropriate interaction on Civil Works matters between the Corps and higher Army headquarters, other agencies and organizations, and Congress.

There have been stationing and other changes, however, since February 1985, which have caused the Army to consider two options in addition to the backfill plan; namely, a new Corps-constructed building, co-located with five renovated buildings, at Fort Belvoir and a single new building on Humphrey Engineer Center land adjacent to Fort Belvoir. Upon completion of evaluation of these two options, along with the original plan to backfill nine buildings, further consideration will be given to financing options, including DOD-Military, DOD-Civil, and private developer financing. At that time, the

Secretary of the Army may be asked to consider revising his February 1985 plan. No Civil Works resources are being expended on the study of backfill alternatives.

Many administrative requirements, such as congressional notification and preparation of an environmental assessment, have been accomplished in connection with the February 1985 announcement by the Secretary of the Army. The next step, as indicated above, would be to ask the Secretary of the Army to consider revising his 1985 plan if the evaluation of options and financing alternatives warrants this.

DEPARTMENT OF THE ARMY
Office of the Secretary of the Army
Washington, D. C. 20310

INFORMATION FOR MEMBERS OF CONGRESS 2 8 FEB 1995

Engineer Training and Intelligence and
Security Command Realignment

The Department of the Army announced today a decision to consolidate Engineer training at Fort Leonard Wood, MO and to relocate Headquarters, United States Army Intelligence and Security Command (INSCOM) from Arlington Hall Station, VA to Fort Belvoir, VA. Based on a realignment study, the Army will move the Engineer Center and School and the 902nd Engineer Company, which provides support for the school mission, from Fort Belvoir to Fort Leonard Wood. INSCOM will transfer from Arlington Hall Station, VA and Fort George C. Meade, MD into a new facility on Fort Belvoir. The facilities vacated by the Engineer Center and School will be renovated and occupied by the U. S. Army Corps of Engineers (USACE) and the U. S. Army Medical Personnel Support Agency. The U. S. Army Criminal Investigation Command (CIDC) will relocate to the space vacated at Fort Meade. Arlington Hall Station will be declared excess to the needs of the Army.

These actions are part of the Army's continuing efforts to improve management and achieve more efficient use of limited resources and are expected to save $23.338 million annually. The one-time cost to execute this action is $93 million.

This action will consolidate and standardize Engineer officer and enlisted training. The relocation of the Engineer Center and School from Fort Belvoir to Fort Leonard Wood will also materially reduce equipment and manpower duplication which now exists.

INSCOM unique operations and security requirements will be significantly enhanced by the construction of a modern, single facility at Fort Belvoir.

After the move of INSCOM to Fort Belvoir, Arlington Hall Station will be declared excess. The anticipated closure of this installation will increase the efficiency of Army operations by eliminating a small, single purpose installation.

INSCOM will make an interim move to Arlington Hall Station in 1985 with a final relocation to Fort Belvoir expected in 1988. The Engineer School is expected to relocate in 1989. Lease space occupants will relocate after vacated space is renovated. The Army will take steps, including maintenance of necessary staff and senior officials in the Pentagon or downtown Washington, D. C., to insure appropriate interaction on Civil Works matters between the Corps and higher Army headquarters, other agencies and organizations, and Congress.

This action is not expected to result in any significant environmental or socio-economic impacts at any affected installation. A copy of the socio-economic/community assessment is attached.

Maximum placement assistance, including the Department of Defense Stability of Civilian Employment Program and the Army Civilian Career Programs, will be provided to affected civilian career employees.

This document is submitted in accordance with 10 USC 2687(b)(3)(4). The attached Realignment Fact Sheet provides additional details.

Attachments

FURNISHED BY:
OFFICE, CHIEF OF
LEGISLATIVE LIAISON

Congressional Interest: Senator Stafford

10. Question. Does the Corps provide or require Civil Works employees to undergo training to facilitate their rapid mobilization in the event of a national emergency? If so, please describe this training and how it is funded. Has funding for this activity increased, decreased, or remained level during the past several years? Please specify.

Answer. The Corps has the responsibility to support the nation with highly skilled personnel capable of responding to national emergencies. To maintain this capability, the Corps provides training to Civil Works employees through both formal and on-the-job training programs. The training is required for selected personnel based on skills needed in order to facilitate the Corps' rapid mobilization in the event of a national emergency. For the Corps' responsibilities, mobilization means all resource efforts to maximize support for a full spectrum of national emergencies, from gearing up for a flood fight, to reorganizing for a full military mobilization.

The formal training program consists of training packages designed for selected current and newly-hired Civil Works personnel. The purpose of this training is to orient Corps employees for accomplishing emergency construction, procurement, real estate, and security responsibilities prior to and following a declaration of mobilization. These training packages were developed and are maintained and updated using military funds. Funding has been essentially level for the past few years.

The on-the-job training programs consist of individual and organizational training. The purpose of this training is to maintain the Civil Works capability to provide support to the Nation in national emergencies. Examples of this training are the Command Readiness Programs, an exercise at national and regional levels covering national emergencies such as catastrophic earthquakes, drought, technological hazards, mobilizing the industrial base, continuity of operations, and continuity of government in support of the Nation. These efforts are funded by the Civil Works National Emergency preparedness Program under the Operations and Maintenance, General, appropriation.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, NW.
WASHINGTON, DC 20503

March 3, 1988

The Honorable Quentin N. Burdick
United States Senator
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Robert T. Stafford
United States Senator
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, D.C. 20510

Gentlemen:

Enclosed please find my statement for the record responding to the questions you posed in your letter dated February 12, 1988. The other Council Members and I will be happy to appear before your Committee should you believe that to be necessary.

Sincerely,

A. Alan Hill

A. Alan Hill
Chairman

Enclosure

STATEMENT OF A. ALAN HILL

CHAIRMAN, COUNCIL ON ENVIRONMENTAL QUALITY

DIRECTOR, OFFICE OF ENVIRONMENTAL QUALITY

FOR THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

UNITED STATES SENATE

March 3, 1988

Thank you for the opportunity to provide a statement for the record regarding the President's Fiscal Year 1989 Budget Request for the Council on Environmental Quality (CEQ) and the Office of Environmental Quality (OEQ). I will provide a brief overview of the Council's activities and the Budget Request, and respond directly to the questions posed by the Committee.

Background

Under the National Environmental Policy Act (NEPA) and the Environmental Quality Improvement Act, CEQ/OEQ's principal responsibility is to provide the President and the Congress with timely and authoritative advice on environmental policy issues. The Council has been designated as the environmental advisor to the President and, as such, the Chairman and the Council Members work to insure that the concerns of affected citizens, as well as technical and scientific considerations, are taken into account in the decisionmaking process. The Council is also responsible for the preparation of the President's annual Environmental Quality Report to Congress.

In addition to developing and analyzing environmental policy, the Council is responsible for maintaining oversight of the federal government's implementation of NEPA. A third major objective of CEQ/OEQ is to collect information and analyze data concerning conditions and trends in the environment. The agency makes technical environmental information available to the public through the annual Environmental Quality Report and other publications such as the periodic Environmental Trends Sourcebook.[1]

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[1] For specific information on the Council's current activities and proposed actions, please refer to the President's Budget Request for FY 1989 for the Council on Environmental Quality and the Office of Environmental Quality, at 16-37.

Budget Request

The President is requesting an appropriation of $870,000 for CEQ/OEQ for FY 1989. This represents an approximately 5% increase in funding over that appropriated by Congress for FY 1988.

The increase in the funding level between FY 1988 and FY 1989 is due almost entirely to increased personnel costs, including the requirements of the mandated executive pay increase, civilian pay increase, and the Federal Employees Retirement System (and associated Thrift Savings Plan). A further adjustment was necessary to account for a slight increase in the Standard Level User Charge anticipated for FY 1989, and to augment funding for communications, based on experience. To partially offset these changes, decreases were made in the budget for printing, other services, and supplies.

The Council's Budget Request for FY 1988 was reduced from a requested $862,000 to $826,000 as a result of the constraints of the Gramm-Rudman-Hollings legislation. While CEQ/OEQ's FY 1989 Request of $870,000 is close to the $862,000 level sought for FY 1988, the agency is not seeking to undermine the goals of the deficit-reduction legislation. Unlike most agencies, however, a large percentage of the Council's expenditures are for fixed costs, and the FY 1988 level cannot be continued without endangering the ability of the agency to meet its statutory responsibilities.

For example, when CEQ lost, through attrition, one expert staff member in early FY 1988, the reduced budget level did not permit the hiring of a replacement, reducing the personnel level to 12. An increased personnel budget in FY 1989 will allow the Council to have its full complement of 13 employees.

Proposed Legislation

The only legislative initiative being sought by the agency in FY 1988 is the reauthorization of the Office of Environmental Quality. The Council was permanently established under NEPA. The Office, however, was established under the Environmental Quality Improvement Act and needs periodic reauthorization. OEQ's authorization expired in FY 1986, although Congress has continued to appropriate funds for both CEQ and OEQ.

Proposed legislation to reauthorize the Office was submitted in 1986 and 1987, but was not enacted. A new proposal will be submitted to Congress in the near future. Since the legislation will deal only with reauthorization and will not exceed the budget level sought for OEQ, it will have no budgetary impact.[2]

That concludes my written statement. The other Council Members and I will be pleased to offer additional testimony as requested.

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[2] The Committee posed a question regarding additional appropriation actions proposed for FY 1988. CEQ/OEQ does not expect to make any rescissions, deferrals, or supplemental appropriation requests for FY 1988.

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Economic Development
Washington, D.C. 20230

4 MAR 1988

Honorable Quentin N. Burdick
Chairman, Committee on Environment
and Public Works
United States Senate
Washington, DC 20510-6175

Dear Mr. Chairman:

Thank you for your cosigned letter regarding the budget request for the Economic Development Administration (EDA).

The testimonial responses to specific questions, relative to EDA's FY 1989 budget, contained in your letter are enclosed.

Sincerely,

Orson G. Swindle, III
Assistant Secretary
for Economic Development

Enclosure

DEPARTMENT OF COMMERCE
Economic Development Administration
Questions and Responses
Committee on Environment and Public Works

Question: Please contrast the FY 1989 request with the FY 1988 appropriated level. What effect will proposed increases or reductions have on agency programs?

Response: For FY 1989, the Administration is proposing the termination of all economic development assistance programs. The Agency will be phased out over a five-year period (1989-1993) requiring an appropriation of $40 million. Following is a contrast of the FY 1989 request with the FY 1988 appropriation enacted to date:

Account/Program	(in thousands of dollars) 1988 Enacted	1989 Request
[Salaries and expenses]		
Grants and Loans Administration..	$ 24,742	$40,000
Economic development assistance programs (EDAP):		
Public works....................	119,960	- 0 -
Planning........................	22,995	- 0 -
Districts.....................	(15,330)	- 0 -
Indians.......................	(2,875)	- 0 -
States........................	(1,916)	- 0 -
Urban.........................	(2,874)	- 0 -
Technical assistance............	6,456	- 0 -
University Centers............	(4,790)	- 0 -
Research and evaluation.........	1,210	- 0 -
Economic adjustment.............	24,657	- 0 -
Sudden and severe............	(12,454)	- 0 -
Revolving loan fund..........	(12,203)	- 0 -
Subtotal....................	$175,278	- 0 -
Institute for Technology Development, Jackson, MS.........	3,000	- 0 -
University of Bridgeport, Bridgeport, CT..................	2,500	- 0 -
City of Worcester and the Worcester Bus. Dev. Corp., MA....	1,000	- 0 -
Center for Int'l Trade Dev., Oklahoma State University........	250	- 0 -
Subtotal....................	$ 6,750	- 0 -
Total, EDAP.................	$182,028	- 0 -
Loan guarantee authority.........	(150,000)	- 0 -
GRAND TOTAL....................	$206,770	$40,000

Question: What personnel increases or decreases are being proposed in FY 1989 compared with FY 1988 levels?

Response: The FY 1989 budget request proposes a decrease in EDA personnel of 197 permanent positions, from 360 in FY 1988 to 178 in FY 1989. The request contains 197 permanent positions in FY 1989; however, 19 of these positions are for other Commerce programs also proposed for termination.

Question: Please discuss any proposed rescissions, deferrals or supplementals proposed for FY 1988?

Response: There are no rescissions, deferrals, or supplementals currently proposed for FY 1988.

Question: Please indicate if any legislative initiatives are necessary, or are being considered, to implement any part of the agency's FY 1989 budget request or program objectives. If so, please describe these proposals and specify the budgetary impact of each provision.

Response: Legal changes of a legislative and regulatory nature affecting EDA have been proposed in several areas: to provide authority and funding for the care and preservation of property financed or improved by EDA grant funds and for EDA liens on such property; to repeal the McDade Amendment; to discourage Congressional add-ons and forgiveness of debts; to promulgate a Hazardous Substances rule; to dedesignate areas; and to abolish EDA. Following is a more detailed description of these various EDA proposals.

Care and Preservation/Lien: Over the past several years, a significant number of EDA grant recipients, in violation of the terms of their grants, have leased or sold facilities acquired, built or improved with grant funds, or have lost ownership of their facilities through foreclosure for failure to pay their debts. EDA has not been able to adequately recoup its grant funds, nor to undertake liquidation, foreclosure, or other necessary actions to protect its interests in properties acquired, built, or improved with EDA funds.

In the past, EDA has attempted with little or no success to protect its interests by: (1) using grant conditions; and (2) recording covenants, which did not give EDA an interest in the property funded by EDA. Neither solution was adequate to discourage grant recipients from misusing facilities paid for with Federal dollars.

EDA's authorizing legislation and regulations provide for EDA to acquire liens in property purchased or improved with EDA loans or loan guarantees, but not for property puchased or improved with grant funds. Further, EDA lacks the authority to expend or advance funds for protective bids or payoffs, or to protect and care for such EDA financed properties. Regulations have been drafted which would enable EDA to protect its interests by acquiring liens on property puchased or improved with EDA grant funds. Publication of the proposed rule is being deferred pending completion of a revision to OMB Circular A-102, and implementation of the revised Circular through issuance of Government-wide regulations. Thereafter, it will be possible to assess whether a supplementary EDA rule will be needed.

Once EDA has acquired appropriate ownership rights in property, a statutory amendment would be needed to enable EDA to expend funds to protect and care for such property, including liquidation, litigation or any other necessary action. This action is contingent upon legislation being enacted which authorizes EDA to expend funds and take other actions to protect its ownership rights in property purchased or improved with EDA grant funds. The Department of Commerce's Legislative Program for the Second Session of the 100th Congress includes the submission of appropriate legislation to the Congress.

McDade Repeal: EDA has been hampered in the servicing and administration of its loan programs because of restrictions imposed by Congress in the past several appropriations for the Department. EDA's appropriated funds cannot be used to sell to private interests loans made by EDA or guarantees acquired by EDA, except with the consent of the borrower (the McDade Amendment). This limitation restricts EDA's ability to sell loans and acquired guarantees to the private sector, which would maximize recoveries to the Federal Treasury, and reduce the Federal Government's involvement in credit markets.

The problem should be solved by repeal of the McDade Amendment in its entirety. Because borrowers are reluctant to consent to the sale of their loans unless they know the identity of potential purchasers beforehand, this limitation has effectively eliminated the Department's authority to conduct a public sale of its loan portfolio. As a result, the Department has not been able to meet its debt collection goals relating to the public sale of loans.

EDA intends to issue regulations allowing it to sell EDA loans and guarantees whether or not in default and regardless of amount to be realized. This cannot be done until the McDade Amendment is repealed. The Department of Commerce's Legislative Program for the Second Session of the 100th Congress contains an appropriate legislative repeal of the McDade Amendment.

Add-ons and Forgiveness of Debts: Congress, in its appropriations acts, has often directed EDA to fund specific projects. When funds must be used for these mandated projects, it means that other EDA applicants have a smaller amount of funds available for projects which may be equally or more deserving of EDA assistance then the Congressional add-ons.

Several measures have been enacted by the Congress which forgive debts owed to EDA, or which waive the requirements of EDA agreements with grant recipients. After these entities have accepted funds from EDA, they have failed to perform their obligations. Legislation which limits EDA's ability to respond to such defaults by recipients of Federal assistance unfairly discriminates in favor of those who do not perform their agreements, and in some cases, makes them eligible for additional assistance. As a result of these Congressional instructions, the Government has been forced to expend substantial sums in a manner inconsistent with the statute which EDA is charged with administering.

EDA has proposed legislative changes which would discourage directing EDA to fund particular projects at specified amounts (in some cases regardless of whether legal and program requirements are met), and to forgive particular debts. We have, however, been advised informally that the only way to bring about such a change is by requesting amendments to the parliamentary rules of the authorizing committees of both Houses of Congress.

The Assistant Secretary has requested that the Office of General Counsel submit a letter to the appropriate Congressional authorizing committees, urging that parliamentary rules be amended to discontinue funding for particular projects and to stop the forgiving of debt/grant violations.

Hazardous Substances: EDA has consistently faced problems with environmental cleanup at sites where EDA loans are being liquidated. The cleanup can be extremely costly and protracted, and eventually reduces the overall recovery to the Government. There is a related problem in that EDA has been frustrated in its attempts to hold borrowers and guaranteed lenders accountable for environmental problems they created or know about.

EDA wishes to clarify its procedures and requirements to assure that any liability for an existing or potential on-site hazardous substance is the responsiblity of the parties benefitting from EDA's guaranteed loans. EDA wants to change its requirements to enable it to deny payment to a guaranteed lender which fails to uncover actual or potential environmental problems at the time of application to EDA. Also, EDA would include provisions that would subject applicants and borrowers to fraud charges if they fail to disclose environmental problems to EDA. EDA's draft proposed rules are currently being reviewed by the Department of Justice, Environmental Defense Section.

Dedesignation of Areas: EDA is considering a proposal to permit the dedesignation of areas which no longer meet the criteria for eligiblity under the Public Works and Economic Development Act of 1965, as amended (PWEDA). Dedesignation, originally required by Section 402 of PWEDA, was prohibited by Pub. L. 91-304 (1970) and continued in all subsequent EDA appropriations bills. If dedesignation is permitted, approximately 400 economically healthy areas will no longer be eligible for EDA financial assistance. The Department is considering this proposal.

Abolition of EDA: For a number of years, the Administration has sought to abolish EDA. This proposal is again included in the Department of Commerce's Legislative Program for the Second Session of the 100th Congress.

Federal Emergency Management Agency
Washington, D.C. 20472

March 3, 1988

The Honorable Quentin N. Burdick
Chairman
Committee on Environment and Public Work
United States Senate
Washington, D.C. 20510-6175

Dear Mr. Chairman:

In response to your letter of February 12, 1988, to Julius W. Becton, Jr., Director, Federal Emergency Management Agency, we are providing information on our fiscal year 1988 budget request as related to FEMA programs with the jurisdiction of your committee. Specifically enclosed you will find our responses to the questions posed in your letter as related to the disaster relief program, authorized by the committee, and two areas which you have oversight; the radiological emergency preparedness program and programs pertaining to hazardous materials. For your information we are also providing an additional detailed overview of the disaster relief program.

I hope this information provides you with the data you need. Please do not hesitate to have a member of your staff contact our Office of Congressional Relations, at 646-4500, if we can provide you with any additional information.

Sincerely,

Grant C. Peterson
Associate Director
State and Local Programs
and Support

Enclosures

DISASTER ASSISTANCE AND RELIEF

QUESTION FROM SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE

1. Q. Please contrast the FY89 request with the FY88 request and the appropriated level. What effect will proposed increases or reductions have on agency programs?

A. For 1988 the Administration requested $125 million and Congress appropriated $120 million. That level was based on projections of carryover from 1987 and recovery of prior year obligations during 1988 that would produce a net level of funds available for obligation of approximately $299 million during 1988.

The 1989 request level of $200 million would maintain that same level of available funds, assuming carryover funds and recovery of prior year obligations each account for about $50 million.

The request levels have been based on estimated disaster activity representing approximately $250 million annually. For 1989 the Administration is proposing reductions to reduce obligations against that same base by an estimated $30 million.

The decrease in obligations during 1989 will occur as a result of reductions to administrative costs due to management improvement initiatives such as increased use of permanent full-time employees vs. Disaster Assistance Employees, increased automation and more efficient and timely assistance delivery mechanisms. In addition, effective hazard mitigation measures and increased insurance coverage will reduce Federal funding requirements for disaster assistance authorized under the Act.

2. Q. What personnel increases or decreases are being proposed in FY89 compared with FY88 levels?

A. The Administration is requesting $9.659 million and 217 FTE for 1989, a decrease of 16 FTE and $440,000 below 1988.

3. Q. Please discuss any recessions, deferrals or supplementals proposed for FY88.

A. At this time none are planned. Current levels of funds available for obligation in 1988 should be adequate to address the estimated base of $250 million. A supplemental request would only be necessary in the event of unusually heavy disaster activity during the balance of the year.

4. Q. Please indicate if any legislative initiatives are necessary, or are being considered, to implement any part of the agency's FY89 budget request. If so, please describe these proposals and specify the budgetary impact of each provision.

A. The Administration does not plan to submit any new legislative proposals related to the 1989 request. The Administration is aware of pending Congressional initiatives that potentially affect the delivery of assistance under the Act and could have significant budgetary impacts. We understand that the Congressional Budget office is analyzing those impacts. In the event these measures become law, we will implement appropriate adjustments to programs.

FEDERAL EMERGENCY MANAGEMENT AGENCY

DISASTER RELIEF
ACTIVITY OVERVIEW

FY 1989 Proposed Funding:

An appropriation request of $200 million is being submitted for FY 1989 to fund program activities authorized under PL 93-288 as amended, the Disaster Relief Act (referred to thereafter as the Act). This assumes an additional $49 million carried forward as an unobligated balance from FY 1988, and $50 million in recovery of prior year obligations; for total obligation authority of $299 million.

The request level assumes a reduction of $30 million in program obligations and a relatively normal year of disaster activity, for total obligations estimated at $220 million. The reduction will come from changes to programs and program administration. FEMA is pursuing program changes with State and local officials that will achieve the goal of reduced obligations from the Fund as part of overall Federal Government budget reduction initiatives while at the same time maintaining required levels of support for Public and Individual needs. As measures are identified changes to program policy, regulations or legislation will be proposed to implement the appropriate changes.

In addition, FEMA requests $9.659 million and 217 FTE under Salaries and Expenses appropriations. This is a decrease of 16 FTE and a decrease of $440,000 below FY 1988.

FEMA's FY 1988 Appropriation:

FEMA requested $125 million and Congress appropriated $120 million based upon projections of available carryover, recovery of prior year obligations, and average levels of program activity.

FY 1987 Accomplishments:

Management and Coordination:

Thirty-one major disaster and emergency requests were processed. Program support was provided in 24 Presidentially-declared disasters and 1 emergency. Deployment of the Automated Disaster Management System (ADAMS) was coordinated to support the delivery of major assistance programs and improve program management and oversight. A Federal Coordinating OFficer (FCO)/Disaster Recovery Manager (DRM) training course was developed and conducted. There was a continued effort to train Disaster Assistance Employees (DAE's) and a Professional Development program for Regional office permanent staff was conducted. The transition of selected program support functions to Regional Disaster Assistance Program (DAP) personnel was coordinated.

Individual Assistance:

Individual Assistance (IA) was provided in 20 major disasters and 1 emergency. Guidance was developed for monitoring and evaluating the delivery of IA in the Disaster Field Office (DFO). Arrangements were completed with the Department of the Treasury for FEMA's use of specialized check-writing equipment. A combined loss verification system has been used for Temporary Housing (TH) and Individual and Family Grant (IFG) assistance. Training in the combined verification process has been conducted for State personnel.

Public Assistance:

Public Assistance (PA) was delivered in 21 major disasters. Revisions to program guidance materials for State and local governments were completed which clarify the process of applying for Public Assistance. An "Advance Notice of Proposed Rule-Making" was issued which covers approaches that would provide incentives to increase public sector insurance coverage, specifically in areas beyond the 100-year flood plain. Procedures were implemented and training was provided for use of the PA ADAMS module.

Hazard Mitigation:

The coordination and preparation of Hazard Mitigation (HM) reports was provided in 24 major disasters. Technical assistance was provided at the disaster sites and in the development of Statewide disaster mitigation strategy programs and plans. HM officer training for Federal and State personnel was conducted and a multi-use training package for inclusion in State HM training activities was deployed. The HM module of ADAMS which evaluates and tracks hazard mitigation accomplishments was implemented.

FY 1989 Program Changes and New Initiatives:

FEMA intends to limit the budget requirements associated with Disaster Assistance through measures that are in the process of being identified during 1988 with the cooperation of State and local officials. Other improvements to program administration are noted in the following sections according to program area.

Management and Coordination:

The third annual report on the Disaster Response Evaluation System (DRES) will be issued and the system will be revised as necessary to reflect program changes. Development and implementation of the Automated Disaster Assistance Management System (ADAMS) will continue in order to provide more efficient linkages to other related systems. Training courses will be revised to support uniformity and consistency in the delivery of disaster assistance. The Professional Development program will be conducted for permanent Regional Office staff and a Program Support conference will be held to identify improvements to program procedures.

Individual Assistance:

In addition to providing Individual Assistance (IA) in Presidentially declared disasters, the Individual Assistance program will implement newly developed mitigation measures, hold a conference with elements outside FEMA to improve coordination in disaster operations, and focus on relations with the States.

A comprehensive course in the IA program will be offered to State personnel. State mental health disaster planners and State Emergency Services personnel will be brought together for a conference. The proposed IFG check-writing system will also be tested/implemented for use by the States.

Public Assistance:

Changes will be implemented to Public Assistance (PA) policies and procedures based on requirements identified by the comprehensive program review conducted in FY 1988. Emphasis will be placed upon closing-out older disasters and claims collection. PA training will be conducted for State officials. There will also be an effort to identify enhancements to the PA module of the ADAMS to improve program response and administration.

Hazard Mitigation:

Continued efforts will be made to increase the number of States with State level multi-hazard mitigation plans, thereby increasing overall preparedness and limiting post-disaster planning requirements. The hazard mitigation data base will be used to evaluate cost-savings created by the program. Evaluation data will also be incorporated into technical assistance and administration materials. Work will continue on the Federal Earthquake Response Plan. A tabletop exercise will be developed and a RESPONSE 88 exercise will be conducted. In addition, drafts of all regional procedural supplements to the Plan will be completed.

FY 1989 Anticipated Recision and/or Deferrals: None

Economic Assumptions and Spendout Rate:

FEMA is projecting outlays of approximately $220 million for 1988 and $200 million for 1989.

All estimates for the Disaster Relief Fund are based on historical activity. As such the estimates are expressed in constant dollars. By budget convention, no economic factors are used in arriving at these figures.

Outyear Projections:

Funding levels: FEMA is currently forecasting future budget requests of approximately $220 million annually.

Program costs are a function of the number, frequency and magnitude of disasters occurring in a given year. There will be continuing and expanded activity in hazard mitigation as FEMA works toward reducing disaster damage and losses. Concurrently, FEMA will attempt both to improve the efficiency of providing assistance, while at the same time implementing changes to limit average annual obligations.

Reductions associated with proposed legislation and rulemaking:

Approximately $30 million has been identified as the goal for reductions below a base of $250 million in obligations under Disaster Assistance Programs. The precise measures that will achieve that goal are in the process of being identified in conjunction with State and local officials.

SALARIES AND EXPENSES

DISASTER RELIEF ADMINISTRATION

FISCAL YEAR	FTE WORK YEARS	APPROPRIATIONS REQUEST	AVERAGE GRADE	AVERAGE SALARY
1987 ACTUAL	152	5,895,000	12	38,783
1988 CURRENT ESTIMATE	233	8,453,000	12	36,279
1989	217	8,070,000	12	37,189

REQUESTS FOR FEDERAL DISASTER ASSISTANCE UNDER PL 93-288

APRIL 1, 1974 TO SEPTEMBER 30, 1987

	REQUESTED BY STATES	DECLARED GRANTED	DENIED
MAJOR DISASTER	590	379	211
EMERGENCY	148 1/	92	56
FIRE SUPPRESSION GRANTS	90	51	39
	828	522	306

1/In 15 of these cases the Governor requested a major disaster, but the requested assistance was provided under an emergency declaration.

The total number of requests was 828 with 522 resulting in Presidential declarations. Therefore, 63 percent of the requests resulted in a Presidential declaration.

MAJOR DISASTER DECLARATIONS MADE UNDER PL 93-288

APRIL 1, 1974 TO SEPTEMBER 30, 1987

	NUMBER	APPROXIMATE PERCENTAGE
SEVERE STORMS AND FLOODING	235	62
TORNADOES	47	12
TORNADOES AND FLOODING	27	7
HURRICANES AND TYPHOONS	34	9
SEVERE WINTER WEATHER	17	4
EARTHQUAKE	4	1
LEVEE OR DAM FAILURE	3	1
TIMBER FIRE	3	1
URBAN FIRE	3	1
VOLCANIC ERUPTION	2	1/
LANDSLIDES	2	1/
DROUGHT	1	2/
SEWER EXPLOSION	1	2/
TOTAL	379	@ 100%

1/ COMBINED TOTAL OF 1%

2/ COMBINED TOTAL OF .5%

DISASTER RELIEF APPROPRIATION
FY 1987 - FY 1988

FY 1986 Unobligated balance carried forward	$184,276,000
FY 1987 Appropriation	120,000,000
Recovery of prior year obligations	70,783,000
TOTAL FY 1987 OBLIGATION AUTHORITY	$375,059,000
FY 1987 Obligations	$246,033,000
FY 1987 Unobligated balance carried forward	129,026,000
FY 1988 Appropriation	120,000,000
Estimated recovery of prior year obligations	50,000,000
TOTAL FY 1988 OBLIGATION AUTHORITY	$299,026,000
Obligations through January 31, 1988	-90,093,713
Balance FY 1988 Obligation Authority	$208,932,287

Disaster Relief Fund
(Dollars in Thousands)

Fiscal Year	Request	Supplemental Request	Appropriation	Obligations	Carryover 1/
1974	100,000	300,000 32,000	432,600	374,827	196,360
1975	100,000	100,000	200,000	192,020	204,340
1976	150,000	-0-	150,000	242,725	111,615
Trans Qtr	37,500	-0-	37,500	83,301	65,814
1977	100,000	200,000	300,000	363,695	4,165
1978	150,000	150,000 150,000	440,716	442,947	6,280
1979	200,000	200,000	386,772	373,365	19,687
1980	193,600	314,000	1,063,600	849,095	234,192
1981	375,570	-0-	358,449	228,964	363,677
1982	400,000	-0-	301,694	115,114	527,984
1983	325,000	-0-	130,000	245,231	593,494
1984	-0-	-0-	-0-	296,420	352,260
1985	100,000	-0-	100,000	319,172	268,348
1986	194,000	250,000	345,700	497,734	184,276
1987	100,000	-0-	120,000	246,033	129,026
1988	125,000	-0-	120,000	250,000 2/	49,026 2/
1989	200,000				
SUBTOTALS	1981-1988		1,475,843	2,198,668	2,586,237
AVERAGES	1981-1988		184,480	274,834	323,280
TOTALS	1974-1988		4,487,031	5,120,643 3/	3,428,690
AVERAGES	1974-1988		280,439	320,040	214,293

1/ Includes any recovery of prior year obligation.
2/ Reflects Administration's current estimate.
3/ Recovery of Prior Year Obligations 1974 - 1988

Total	$682,638
Average	$ 43,000

RADIOLOGICAL EMERGENCY PREPAREDNESS (REP) PROGRAM

QUESTIONS FROM SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE

1. Q. Please contrast the FY89 request with the FY88 request and the appropriated level. What effects will proposed increases or reductions have on agency programs?

   A. The FY88 request to Congress for this activity was $4,081,000 in program funds for Emergency Management Planning and Assistance, $3,497,000 in Salaries and Expenses and 70 workyears. The FY88 current estimate is $5,081,000 in EMPA program funds, $3,598,000 in S&E and 80 workyears, reflecting a Congressional increase of $1,000,000 in EMPA program funds, $101,000 in S&E and 10 workyears.

   The effect of this reduction will be an extension of time frame for completing some planned REP activities.

2. Q. What personnel increases or decreases are being proposed in FY89 compared with FY88 levels?

   A. As indicated in item 1 above, a decrease of 10 workyears is proposed for FY88.

3. Q. Please discuss any rescissions, deferrals or supplemenals proposed for FY88.

   A. None beyond the Congressional increases discussed in item 1, above.

4. Q. Please indicate if any legislative initiatives are necessary, or are being considered, to implement any part of the Agency's FY89 budget request. If so, please describe these proposals and specify the budgetary impact of each provision.

   A. No legislative initiatives are necessary to implement any part of the Agency's FY89 REP budget request. However, a legislative proposal has been submitted for consideration which would amend the Atomic Energy Act of 1954, as amended, to authorize the assessment and collection of user fees to cover 55 percent of the costs of the Federal Emergency Management Agency's offsite emergency planning activities with respect to both production and utilization facilities licensed pursuant to Sections 103 and 104(b) of the Atomic Energy Act. Our 1989 budget proposal requests $7,340,000 for such activities for FY89. Accordingly, if this proposal is enacted, we would anticipate collecting approximately $4,037,000 in fees in 1989, which would be deposited in the general fund of the Treasury.

HAZARDOUS MATERIALS

QUESTIONS FROM SENATE ENVIRONMENT AND PUBLIC WORK COMMITTEE

The Federal Emergency Management Agency (FEMA) oversees activities in hazardous materials in the three areas described as follows:

(A) FEMA also receives $5 million annually from the Superfund Amendments and Reauthorization Act (SARA), Title III for training. The SARA funds are currently appropriated to the EPA and allocated to FEMA.

(B) FEMA also has an appropriation of program funds of $200,000 for FEMA planning activity in support of State and local government.

(C) The responses below relate to the FEMA allocation of the Superfund appropriations to the Environmental Protection Agency (EPA) for FEMA planning and response personnel.

1. Q. Please contrast the Fy89 requst with the FY88 request and the appropriated level. What effects will proposed increases or reductions have on agency programs?

A. The FY89 budget was straight-lined at the FY88 level of $1,879,000.

2. Q. What personnel increases or decreases are being proposed in FY89 compared with FY88 levels?

A. None.

3. Q. Please discuss any rescissions, deferrals or supplements proposed for FY88.

A. None.

4, Q. Please indicate if any legislative intiatives are being considerd, to implement any part of the agency's FY88 budget request. If so, please describe these proposals and specify the budgetary impact of each provision.

A. None.

United States Department of the Interior

FISH AND WILDLIFE SERVICE
WASHINGTON, D.C. 20240

ADDRESS ONLY THE DIRECTOR,
FISH AND WILDLIFE SERVICE

MAR 24 1988

Honorable Quentin N. Burdick
Chairman, Committee on
  Environment and Public Works
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed in response to your letter of February 12, is a copy of my testimony on the Fiscal Year (FY) 1989 budget request for the U.S. Fish and Wildlife Service (Enclosure A).

To respond to the specific questions in your letter, also enclosed are an analysis of increases and decreases summarized by program area (Enclosure B), a summary of full-time equivalents (FTE) budgeted for FY 1988 and the FY 1989 requested level (Enclosure C), and a listing of the legislative initiatives which are necessary to implement the FY 1989 budget request (Enclosure D).

If you have any questions or require additional information, please let me know.

Sincerely,

Frank Dunkle

FRANK DUNKLE
DIRECTOR

Enclosures

ENCLOSURE A

TESTIMONY OF FRANK H. DUNKLE, DIRECTOR, U.S. FISH AND WILDLIFE SERVICE, DEPARTMENT OF THE INTERIOR

March 1988

Mr. Chairman, I appreciate the opportunity to appear before you this morning to discuss the President's proposed 1989 budget for the U.S. Fish and Wildlife Service (Service). The 1989 budget request totals $702.2 million. Although this level represents a decrease of $41 million from the 1988 appropriation of $743.2 million, we have been able to continue operating resource programs at or near their current levels. The budget proposal achieves the overall reduction by eliminating or deferring lower priority activities, limiting new land acquisition to important migratory bird habitat acquired through the Migratory Bird Conservation Fund, and by focusing construction on safety issues.

The request for Resource Management, the Service's principal operating account, is $331.9 million, which is $10.7 million below the FY 1988 enacted level. Of this decrease, just over half, or $5.6 million, is a direct result of lower projected needs for funding Federal retirement costs or FERS in FY 1989. Actual experience has indicated a need to revise the amount included in FY 1988, resulting in new estimates derived from changes in actuarial, switch rate and thrift plan assumptions. In considering the remaining decrease, funding supporting the Services' basic operations has not only kept pace with inflation but has experienced real growth of 9 percent since 1982. This request provides sufficient resources to manage and protect fish and wildlife resources on 442 national wildlife refuges, 71 fish hatcheries, 13 major research centers, and initiate operations on 11 new refuges. Within this total funding level are proposed new or expanded initiatives including: efforts directed toward contaminant clean up on six National Wildlife Refuges, restoration of anadromous fish in the Klamath River Basin, and enhancement of operations and maintenance support on refuges, hatcheries and research facilities.

I would briefly like to outline the basis for our funding request in Resource Management, by major activity.

The funding request for the Fish and Wildlife Enhancement Activity is $44.3 million. Total funding for endangered species in 1989 is $25.9 million, as compared to $30.8 million in 1988. A reduction of $4.3 million is the result of the proposed termination of the state grant program. As this program has successfully encouraged most states to be actively engaged in the preservation and conservation of threatened and endangered species, the States are able to secure alternative funding sources to continue their endangered species programs. Decreases totaling $750 thousand are requested, based on the accomplishments made in the identification of opportunities for pre-listing recovery activities and in the recovery of five endangered species.

Within the Fish and Wildlife Enhancement Activity, the request for Ecological Services is $19.5 million. This funding level supports pre-development consultation activities, including Food Security Act implementation with increased emphasis on habitat improvement assistance to landowners on Conservation Reserve Program lands. Service activities will focus on priority waterfowl habitat areas identified in the North American Waterfowl Management Plan, areas of historic wetland loss, and areas with the greatest potential for restoration. A decrease of $100 thousand is requested commensurate with the completion in 1988 of a one-year study to assess the effectiveness of Service mitigation recommendations on Corps of Engineers permits.

A total of $5.9 million is requested for the Environmental Contaminant subactivity within Fish and Wildlife Enhancement to continue investigation, assessment and amelioration of contaminant problems. The Service proposes to maintain its current level of effort, $1.2 million, during 1989 in the Department of the Interior's Irrigation Drainage effort. The Service will continue to focus on the technical aspect of determining potential impacts of irrigation drainage on fish and wildlife.

The 1989 funding request for the Refuges and Wildlife Activity is $141.7 million. This funding level provides for an increase of $1.9 million for cleanup of contaminants on six National Wildlife Refuges in 1989. Within the funding level requested for Refuges and Wildlife the Service will continue efforts for the early identification and resolution of contaminant problems on refuges, nationwide.

The request for Refuges and Wildlife also includes a proposed increase of $524 thousand for the operation of new refuges. Four new refuges were established in 1987, and it is anticipated that an additional eleven refuges will be added to the system in 1989. To assist in offsetting some of the costs of operations and maintenance of refuges, 30 percent of refuge entrance fees will be available. Collection of entrance fees began on eight refuges in September 1987. The 1989 budget request anticipates total collections of $2.6 million occurring on 37 designated national wildlife refuges in 1989. The FY 1989 budget proposal provides for a continued funding level to support implementation of the North American Waterfowl Management Plan, and an increase of $500 thousand for presuppression activities in an effort to reduce the number and intensity of wildfires on refuges.

The Service is requesting a total of $21 million for law enforcement activities in 1989. This funding level will provide for a special agent force consistent with staffing levels in 1988, and continuation of enhanced law enforcement efforts in the southwest and Caribbean. Construction of the National Fish and Wildlife Forensics Laboratory in Ashland, Oregon, is scheduled to be completed in August of 1988. This state-of-the-art laboratory will support the identification of wildlife parts and products for the Service and State law enforcement agencies.

The total funding request for the Fisheries Activity is $40.1 million. The 1989 budget proposal includes an increase of $1 million to initiate development of a multi-agency restoration program with the Bureau of Reclamation and the Bureau of Indian Affairs for the anadromous fishery resources of the Klamath and Trinity Rivers. This effort is authorized by the 1986 Klamath River Fish and Wildlife Restoration Act (Public Law 99-552). The Secretary has delegated the responsibility for administration and coordination of the multi-agency restoration program to the Fish and Wildlife Service.

The 1989 budget estimate also proposes that $1.3 million for the operation of fish hatcheries and fishery assistance offices on Indian tribal lands, which were transferred to the Service in the 1988 appropriations act, be returned to the budget of the Bureau of Indian Affairs (BIA) in FY 1989. Because Indian tribes have expressed an interest in operating these hatcheries under self-determination contracts, the Department believes that BIA should fund these stations. The BIA can continue to fund these stations through a cooperative agreement with the Fish and Wildlife Service. An increase of $250 thousand is requested for enhanced production of Great Lakes lake trout, and a reduction of $165 thousand is requested, based on the completion of nutritional studies for optimal trout and salmon survival at Hagerman Field Station. In order to support the highest priority maintenance needs, the 1989 budget request includes an additional $1.2 million for the National Fish Hatchery System.

The 1989 request for Research and Development totals $55.3 million, a reduction of $3.9 million from the FY 1988 enacted funding level. A $1.1 million decrease is requested as the national plan for contaminant monitoring will be completed by the Idaho National Engineering Laboratory in 1989. An increase of $500 thousand is requested to enhance research efforts related to acid precipitation. An additional $500 thousand is requested for maintenance of research facilities in 1989. This increase would enable the Service to complete needed rehabilitation and repair projects at research centers and field stations.

Significant accomplishments have been made in 1988 related to marine mammal research, thereby allowing the Service to request a $650 thousand decrease in marine mammal research in Alaska. A reduction of $565 thousand is also being sought to discontinue nonessential information transfer and reference service activities.

The Service will continue studies to develop baseline information and guidelines for proposed exploration and development of oil and gas reserves on the Arctic National Wildlife Refuge at the 1988 enacted level of $2.0 million. Studies will focus on fish migration and habitat variables in the area from Prudhoe Bay east to the Mackenzie River, habitat losses and impacts on caribou and related species, waterfowl staging and migration requirements, and water quality and quantity availability.

Continuing with funding for Resource Management, funding for the Cooperative Fish and Wildlife Research Units will continue at the 1988 enacted level. In 1989, the Service will continue to operate Cooperative Research Units at 37 universities in 35 states.

The Resource Management Appropriation also provides for the overall administration of Service operations. The 1989 funding request for General Administration totals $50.6 million, reflecting increases totaling $625 thousand for funding the Service's financial and accounting/payment system, and for consolidation of the Washington Office in one location. Funding adjustments are also included for fixed costs items, such as: postage, payroll system, worker's compensation, and the Federal Telephone System.

Other appropriations within the Service include Construction (and Anadromous Fish), Migratory Bird Conservation, Land Acquisition, National Wildlife Refuge Fund, Federal Aid in Sport Fish Restoration, and Federal Aid in Wildlife Restoration. I will highlight Service initiatives in each of these accounts.

The 1989 Construction request of $7.6 million includes $7.3 million for activities related to dam safety. Dam reinspections, which are required by the Federal dam safety program, are funded at $340 thousand. A total of $7.0 million will be directed toward the correction of dam safety deficiencies at five high or significant hazard dams. Also included in the construction funding request is $234 thousand for the construction of buffalo and longhorn corrals, which are needed for the protection of refuge employees at Wichita Mountains National Wildlife Refuge.

In 1989, the Migratory Bird Conservation Account is expected to comprise $29.4 million in revenues. Receipts available from Duck Stamp and miscellaneous receipts are estimated at $17.5 million, and an additional $10.0 million is expected to be available from import duties on arms and ammunition. Entrance fees collected at National Wildlife Refuges are projected to provide $1.9 million to the Migratory Bird Conservation Account, in accordance with the Emergency Wetlands Resources Act of 1986. Revenues in this account are available for acquisition of important breeding areas, migration resting places, and wintering areas. A total of 41,600 acres are proposed for acquisition in 1989.

The 1989 budget request for the National Wildlife Refuge Fund will provide $9.2 million for payments to counties in lieu of taxes. Current appropriations of $5.6 million are requested to supplement the $3.6 million of net availability from the collection of receipts for activities on refuge lands, including, grazing, forest products, and oil and gas development.

The Service request for Land Acquisition does not include funding for new acquisitions, but includes $1.9 million for Acquisition Management. This funding level will allow the Service to complete acquisitions with prior-year appropriations and pursue alternatives to acquisition, including, exchanges, easements and donations.

Receipts available in 1989 in the Federal Aid in Sport Fish Restoration Account are expected to be almost $195.0 million, an increase of $33.7 million from the 1988 level. In the three years since the passage of the Wallop-Breaux Amendment over $400 million has been distributed to the states. This is almost as much as had been apportioned to the states ($467 million) during the proceeding 33 years. The Amendment has triggered an escalation in State activities in both fresh water and marine fisheries and resource development, boating access, and associated recreation. The proposed 1989 funding for program administration and special projects is $11.7 million, consistent with Congressional directives to maintain relative administrative funding at 1986 levels.

Anticipated funding available in the Federal Aid in Wildlife Restoration Account for 1989 is $119.0 million, an increase of $3.9 million over the 1988 funding level. Funding from this account is distributed to states, Puerto Rico, Guam, the Northern Marianas Islands, and the Virgin Islands for approved wildlife restoration projects, including, acquisition and development of land and water areas, wildlife management research, and approved hunter education programs.

During 1987 the Federal Aid in Wildlife Restoration Act passed its 50th anniversary. To review accomplishments of this highly successful program, the Service released a movie and a book. Both have received national honors.

The 1989 request for administrative and special project funding within the Wildlife Restoration Account is $9.5 million. This reflects an increased funding of $4.3 million when compared to the 1988 funding level. This funding supports the national survey, a library reference service and other projects which directly benefit states.

In summary, the 1989 request for appropriations of $347 million, in addition to the available permanent funds of $355.3 million, provides the Service with sufficient funding resources to address national fish and wildlife resource priorities.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you may have.

ENCLOSURE B

Highlights of Budget Changes

	Change from Base	
	FTE/T	Amount
Endangered Species, Fish and Wildlife Enhancement Prelisting recovery activities can be reduced without adversely affecting threatened/endangered species (-$250). Reduction of lower priority recovery programs will result in a savings of $500. The endangered species grants to states program is proposed for elimination (-$4,300).	0	-5,050
Ecological Services, Fish and Wildlife Enhancement Completion of the 1988 pilot study to evaluate implementation of FWS recommendations by the Corps of Engineers will allow a savings of $100 in 1989.	0	- 100
Refuge Operations and Maintenance, Refuges and Wildlife Acceleration of corrective actions for high priority contaminant problems on National Wildlife Refuges is proposed (+$1,900). Additional support for fire management activities on refuges is requested (+$500). Completion of several contaminant investigative activities in 1988 will allow a savings of $200 in 1989. Sufficient progress has been achieved with the education and information program related to Arctic nesting geese to permit a reduced level of effort and savings of $460. Continued support to the State of Alaska for implementation of the subsistence program is no longer necessary (-$974). Reduced funding for Alaska Refuge Operations will allow adequate funding to meet basic requirements (-$500). Completion of several one-time or short-term projects at the Hawaiian Islands National Wildlife Refuge complex in 1988 will permit a reduced level of effort in 1989 (-$500). Enhanced funding for water rights protection in 1988 will not be necessary in 1989 (-$142). Expended efforts on implementation of fishery management plans on refuges in 1988 will allow a reduced level of effort in 1989 (-$200). Elimination of the Challenge Grant program is proposed in 1989 (-$200). Funding is requested for operation of new and expanded refuges (+$524). Emergency fire costs of $800 will significantly reduce the amount that could be needed from other funding sources (-$2,000).	+6	-2,252
Migratory Bird Management, Refuges and Wildlife The Service will continue participation in the Convention on Nature Protection and Wildlife Preservation at a reduced level (-$109). The Service will be able to provide for management, monitoring and assessment of non-game species at a reduced level (-$500) because of programs initiated in 1988.	0	- 609

Hatchery Operations and Maintenance, Fisheries	-15	+ 388

Completion of research projects at the Hagerman Research Facility will allow for a savings of $165. Operations and maintenance of Tribal hatcheries are proposed for funding by the Bureau of Indian Affairs rather than the Fish and Wildlife Service (-$792). Modification of the Cui-ui fish handling facility will be completed in 1988 (-$135). Additional funds are requested to improve Great Lakes lake trout production (+$250). Provide for increased hatchery maintenance and rehabilitation (+$1,230).

Lower Snake River Compensation, Fisheries	0	+ 295

Additional funds are necessary to meet mitigation requirements pursuant to the Water Resources Development Act of 1976 (+$295).

Fish and Wildlife Management, Fisheries	-3	+ 348

Fishery Assistance activities supporting Tribal hatcheries are proposed for funding by the Bureau of Indian Affairs rather than the Fish and Wildlife Service (-$492). Initiate multi-agency anadromous fish restoration program required by the Klamath and Trinity Riv r Basins Restoration Act (+$1,000). One-time 1988 costs associated with the Connecticut River Basin study will not be needed in 1989 (-$160).

Fish and Wildlife Research Center O&M, Research and Development	-14	- 2,865

Completion of the contaminant monitoring strategy by the Idaho National Engineering Laboratory in 1988 will allow a savings of $1,100 in 1989. A reduction in the frequency of analyses for organochlorinated pesticides is proposed since baseline values have not changed for two sampling periods (-$200). Additional funds are requested to evaluate the reliability of results from ongoing acid precipitation mitigation and management strategies (+$500).

Research activities addressing non-endangered marine mammals including polar bear and sea otter will continue at reduced funding levels; walrus population estimate techniques can be deferred (-$650). The Service will reduce effort on non-game migratory bird research (-$500). Compilation and publication of the Wildlife Review and Fisheries Review will be terminated in 1989 and will result in a reduction of $565. A reduction is proposed for research biological control of purple loosestrife (-$100).

Focus research efforts on higher priority fish species and decrease efforts on redfish (-$150). Replacement of obsolete mass spectrometer at Great Lakes lab has been accomplished (-$200). Delay research on non-salmonid species at Wellsboro lab for a savings of $300.

Increased public awareness of requirements to control brown tree snakes in Guam will decrease need for Service participation (-$100).

Provide increased maintenance base for repairs and minor rehabilitation needs at fish and wildlife research laboratories (+$500)

Technical Development, Research and Development	-5	- 400
Complete the Wetland Technical Assistance task initiated in 1988 through Louisiana State University and decrease the habitat evaluation procedures at the National Wetlands Research Center, Slidell, LA.		
Central Office Administration, General Administration	0	- 500
Continuation of funding for matching grants for the National Fish and Wildlife Foundation is not requested (-$500).		
Servicewide Administrative Support, General Administration	0	+ 625
Increased funding is requested for the financial accounting and management information system (+$325). Consolidation of Washington administration and research offices will cost an additional $300.		

ENCLOSURE C

This summary provides funding and full-time equivalent (FTE) levels enacted for Fiscal Years 1987 and 1988 and proposed for FY 1989. The right column of the summary lists FTE and funding changes from the FY 1989 base. The increases and decreases in FTEs reflect personnel resource adjustments based on program changes which are proposed in the Service's FY 1989 budget request.

ENCLOSURE C

Summary of Requirements (continued)

Comparison by Activities/ Subactivities/Program Elements:	1987 Actual FTE-T	1987 Actual Amount	1988 Enacted to Date FTE-T	1988 Enacted to Date Amount	1989 Base FTE-T	1989 Base Amount	1989 Estimate FTE-T	1989 Estimate Amount	Inc/Dec from 1988 Enacted to Date FTE-T	Inc/Dec from 1988 Enacted to Date Amount	Inc/Dec from 1989 Base FTE-T	Inc/Dec from 1989 Base Amount
FISHERIES (cont.)												
Lower Snake River Compensation Fund	14	6,394	14	6,523	14	6,516	14	6,811	...	288	...	295
Fish and Wildlife Management	95	5,304	110	6,032	118	6,562	115	6,910	5	878	(3)	348
Anadromous Fish Management	61	3,236	75	3,461	78	3,802	80	4,642	5	1,181	2	840
Fish & Wildlife Assistance	34	2,068	35	2,571	40	2,760	35	2,268	0	(303)	(5)	(492)
Subtotal, Fisheries	602	36,282	630	38,795	638	39,045	620	40,076	(10)	1,281	(18)	1,031
RESEARCH AND DEVELOPMENT												
Fish & Wildlife Research Ctr O&M	788	43,825	747	47,737	734	47,090	720	44,225	(27)	(3,512)	(14)	(2,865)
Contaminants Research	283	12,936	194	12,307	194	13,204	196	12,404	2	97	2	(800)
Wildlife Research	190	12,123	210	14,974	196	14,831	188	13,266	(22)	(1,708)	(8)	(1,565)
Fishery Research	236	11,577	276	13,160	273	12,733	265	11,833	(11)	(1,327)	(8)	(900)
Endangered Species Research	68	4,827	67	4,934	71	5,201	71	5,101	4	167	...	(100)
Research Maintenance	11	2,362	...	2,362	...	1,121	...	1,621	...	(741)	...	500
Technical Development	98	5,774	116	5,734	116	5,671	111	5,271	(5)	(463)	(5)	(400)
Cooperative Research Units	77	4,758	102	5,713	102	5,800	102	5,800	...	87	...	...
Subtotal, Research and Development	963	54,357	965	59,184	952	58,561	933	55,296	(32)	(3,888)	(19)	(3,265)
GENERAL ADMINISTRATION												
Central Office Administration	253	11,204	251	11,564	251	11,501	251	11,001	...	(563)	...	(500)
Regional Office Administration	283	12,890	246	13,361	246	13,306	246	13,306	...	(55)	...	...
Servicewide Administrative Support	...	20,453	...	20,556	...	22,059	...	22,684	...	2,128	...	625
Engineering Services	74	3,504	79	3,617	79	3,573	79	3,573	...	(44)	...	...
Subtotal, General Administration	610	48,051	576	49,098	576	50,439	576	50,564	...	1,466	...	125
TOTAL, RESOURCE MANAGEMENT	5,466	323,638	5,586	342,594	5,600	341,983	5,569	331,863	(17)	(10,731)	(31)	(10,120)

Summary of Requirements (continued)

Comparison by Activities/ Subactivities/Program Elements:	1987 Actual		1988 Enacted to Date		1989 Base		1989 Estimate		Inc/Dec from 1988 Enacted to Date		Inc/Dec from 1989 Base	
	FTE-T	Amount	FTE-T	Amount	FTE-T	Amount	FTE-T	Amount	FTE-T	Amount	FTE-T	Amount
FISH AND WILDLIFE ENHANCEMENT												
Endangered Species	237	18,546	218	19,005	218	18,897	218	13,847	...	(5,158)	...	(5,050)
Listing	58	3,622	57	3,294	57	3,259	57	3,009	...	(285)	...	(250)
Consultation	21	3,193	24	3,032	24	2,971	24	2,971	...	(61)	...	...
Permits	70	866	73	851	73	855	73	855	...	4	...	...
Recovery	88	6,565	64	7,528	64	7,512	64	7,012	...	(516)	...	(500)
Grants to States	...	4,300	...	4,300	...	4,300	...	...	...	(4,300)	...	(4,300)
(Funded Other Activities, non-add)	181	11,218	207	11,840	211	12,169	211	12,069	7	392	3	63
(Total - End. Species, non-add)	418	29,764	425	30,845	429	31,066	429	25,916	7	(4,766)	3	(4,987)
Ecological Services	376	18,261	453	19,791	453	19,562	453	19,462	...	(329)	...	(100)
Environmental Contaminants	85	4,902	54	5,878	59	5,868	59	5,868	5	(10)	...	...
National Wetlands Inventory	45	5,296	40	5,115	40	5,092	40	5,092	...	(23)	...	...
Subtotal, Fish & Wildlife Enhancement	743	47,005	765	49,789	770	49,419	770	44,269	5	(5,520)	0	(5,150)
REFUGES AND WILDLIFE												
Refuge Operations and Maintenance	2,062	111,463	2,129	116,326	2,134	115,011	2,140	112,759	11	(3,567)	6	(2,252)
Operations	1,577	80,050	1,684	84,555	1,698	84,443	1,704	82,191	20	(2,364)	6	(2,252)
Maintenance	485	31,413	445	31,771	436	30,568	436	30,568	(9)	(1,203)	...	...
Law Enforcement Operations	336	18,322	376	20,840	385	21,022	385	21,022	9	182	...	...
Wildlife LE	100	9,977	198	11,907	207	12,011	207	12,011	9	104	...	...
Fishery LE	46	2,117	41	2,190	41	2,206	41	2,206	...	16	...	...
Endangered Species LE	110	6,228	137	6,743	137	6,805	137	6,805	...	62	...	...
Migratory Bird Management	150	8,158	145	8,562	145	8,486	145	7,877	...	(685)	...	(609)
Subtotal, Refuges & Wildlife	2,548	137,943	2,650	145,728	2,664	144,519	2,670	141,658	20	(4,070)	6	(2,861)
FISHERIES												
Hatchery Operations and Maintenance	493	24,584	506	26,240	506	25,967	491	26,355	(15)	115	(15)	388
Anadromous Fish Hatchery Operations	186	7,817	177	8,135	177	8,015	177	7,850	...	(285)	...	(165)
Inland/Great Lakes Hatchery Operations	307	13,932	329	15,054	329	14,901	316	14,453	(15)	(601)	(15)	(448)
Hatchery Maintenance & Rehabilitation	...	2,835	...	3,051	...	3,051	...	4,052	...	1,001	...	1,001

ENCLOSURE D

AUTHORIZING LEGISLATION REQUIRED FOR 1989

($ in thousands)

	Existing Authorization	Expiration Date	Amount Requested in Budget
FISH AND WILDLIFE SERVICE			
Endangered Species Act	16 U.S.C. 1542	9/30/85	25,753
Marine Mammal Protection Act	16 U.S.C. 1361	9/30/88	1,885

Administrator
General Services Administration
Washington, DC 20405

March 9, 1988

Dear Mr. Chairman:

Thank you for your letter of February 12, 1988, regarding the General Services Administration's (GSA) budget proposals for fiscal year 1989. The enclosures to this letter address the specific questions you asked; should you require additional information or should a formal hearing be required, we will respond accordingly.

We appreciate your interest in the programs and budget request for the GSA.

With best wishes.

Sincerely,

T C Golden

Terence C. Golden

The Honorable
Quentin N. Burdick
Chairman, Committee on
Environment and Public Works
United States Senate
Washington, DC 20510

Enclosures

Question 1:

Please contrast the fiscal year 89 request with the fiscal year 88 request and the appropriated level. What effect will proposed increases or reductions have on agency programs?

Answer:

A summary of the General Services Administration's fiscal year 1989 budget request as compared with fiscal year 1988 is shown as Attachment 1.

Attachment 2 provides information on the effect of proposed increases and decreases on agency programs.

Question 2:

What personnel increases or decreases are being proposed in fiscal year 89 compared with fiscal year 88 levels?

Answer:

This information is contained in Attachment 3.

Question 3:

Please discuss any rescissions, deferrals or supplementals proposed for fiscal year 88.

Answer:

No rescissions, deferrals or supplementals are contemplated in fiscal year 1988.

Question 4:

Please indicate if any legislative initiatives are necessary, or are being considered, to implement any part of the agency's fiscal year 89 budget request or program objectives. If so, please describe these proposals and specify the budgetary impact of each provision.

Answer:

No legislative initiatives are required to implement any part of GSA's fiscal year 1989 budget.

Question 5:

Please describe in detail how many and what buildings you have budgeted to build or buy on a "lease-purchase" or "opportunity purchase" basis.

Answer: The Administration is opposed to any new lease purchase projects in fiscal year 1989; our budget, therefore, contains no proposals for new lease purchase projects.

The Administration has determined that use of the lease purchase approach will erode budget discipline and the need for tight fiscal controls on spending. The lease purchase concept results in hidden, long-term costs that will limit the flexibility of the Executive and Legislative branches to curtail spending levels in subsequent years.

The fiscal year 1989 President's Budget contains no new funding for "opportunity purchase" facilities.

GENERAL SERVICES ADMINISTRATION

SUMMARY OF FY 1989 BUDGET

Treasury, Postal Service, & Genl Government Appns Bill
(Excludes CIC (HUD Bill))

$(Thousands)

	1987 Actual	1988 Estimate	1989 Request	Change 89 vs 88
TOTAL OBLIGATIONS	6,854,867	7,767,956	8,270,261	+ 502,305
o Detail chart on total 1989 gross program follows.				
GROSS NEW BUDGET AUTHORITY	357,856	282,533	318,046	+ 35,513
GROSS OUTLAYS	128,441	149,293	240,161	+ 90,868
LESS OFFSETTING RECEIPTS:				
Real Property	- 67,781	- 230,000	- 230,000	--
Trans O'chg Collect	- 10,506	- 55,000	- 57,000	- 2,000
NET NEW BUDGET AUTHORITY	279,569	- 2,467	31,046	+ 33,513
NET OUTLAYS	50,154	- 135,707	- 46,839	+ 88,868
o Detail chart on gross new budget authority follows				
FBF NEW OBLIG AUTH (NOA)	2,457,477	2,854,052	3,182,681	+ 328,629
o Detail chart of FBF NOA follows.				

ATTACHMENT 1

GENERAL SERVICES ADMINISTRATION
SUMMARY OF FY 1989 BUDGET

TREASURY, POSTAL SERVICE, & GENL GOVERNMENT APPNS BILL
(EXCLUDES CIC (HUD BILL))

OBLIGATIONS
$(THOUSANDS)

	1987 ACTUAL	1988 ESTIMATE	1989 REQUEST	CHANGE 89 VS 88
OPERATING APPROPRIATIONS	339,638	265,825	299,378	+ 33,553
PERMANENT APPROPRIATIONS	12,249	16,708	18,668	+ 1,960
APPN REIMBURSEMENTS	61,459	57,356	54,085	- 3,271
FED BLDGS FUND DIRECT	2,511,612	3,054,297	3,202,734	+ 148,437
FED BLDGS FUND REIMB	345,284	394,739	384,899	- 9,840
GENERAL SUPPLY FUND	2,518,414	2,602,861	2,672,700	+ 69,839
INFO TECHNOLOGY FUND	1,045,225	1,354,227	1,615,466	+ 261,239
WORKING CAPITAL FUND	20,980	21,935	22,330	+ 395
OTHER MISC	6	8	1	- 7
TOTAL GSA	6,854,867	7,767,956	8,270,261	+ 502,305

FY 1989 PROGRAM PERSPECTIVE:

- ONLY $299.4 MILLION, ABOUT 3.6% OF THE PROGRAM, REQUIRES NEW CURRENT APPROPRIATIONS. PROPRIETARY RECEIPTS FINANCE ANOTHER $18.7 MILLION UNDER PERMANENT APPROPRIATIONS.
- DIRECT FEDERAL BUILDINGS FUND OBLIGATIONS OF $3.2 BILLION, ABOUT 39% OF THE 1988 PROGRAM, ARE FUNDED BY RENTAL PAYMENTS FROM FEDERAL AGENCIES FOR OCCUPIED SPACE UNDER GSA CONTROL. THESE OBLIGATION FIGURES DIFFER FROM NOA ON LATER CHARTS BECAUSE OF UNOBLIGATED BALANCES CARRIED IN AND CARRIED OUT OF EACH YEAR.
- $4.7 BILLION, OR 57%, OF THE TOTAL 1989 PROGRAM WILL BE FINANCED BY CUSTOMERS THROUGH REIMBURSEMENTS OR REVOLVING FUND PURCHASES.

ATTACHMENT 1

GENERAL SERVICES ADMINISTRATION

SUMMARY OF FY 1989 BUDGET

Treasury, Postal Service, & Genl Government Appns Bill
(Excludes CIC (HUD Bill))

BUDGET AUTHORITY
$(Thousands)

	1987 Actual	1988 Estimate	1989 Request	CHANGE 89 vs 88
Operating Expenses, FSS	164,485	69,600	47,829	- 21,771
Oper. Exp., IRMS	29,128	31,193	36,835	+ 5,642
Oper. Exp., FPRS	9,432	12,000	12,109	+ 109
Agency Relocation Exp	--	5,000	50,000	+ 45,000
Genl Mgmnt and Admin	119,573	122,500	122,774	+ 274
Inspector General	21,681	24,334	25,400	+ 1,066
Former Presidents	1,177	1,198	1,431	+ 233
Presidential Transition	--	--	3,000	+ 3,000
Subtotal, New Appns	345,476	265,825	299,378	+ 33,553
Permanent Budget Authority:				
Expenses, Disposal	1,874	3,668	3,668	--
Contr Transp Audits	10,506	13,040	15,000	+ 1,960
TOTAL NEW BUDGET AUTHORITY	357,856	282,533	318,046	+ 35,513

MAJOR INCREASES & DECREASES, 1989/1988:

1988 Budget Authority..................................	282,533
Expand agency real property relocation	+ 45,000
Recompete ADP equipment and data communications network	+ 5,150
Presidential Transition	+ 3,000
Increased contract transportation audits (perm auth)	+ 1,960
Full-year industrial funding for FSS	- 22,301
All other operating programs (includes various minor program increases and the mostly-absorbed effects of inflation and pay increases)	+ 2,704
1989 Request, Budget Authority..............................	318,046

ATTACHMENT 1

GENERAL SERVICES ADMINISTRATION

SUMMARY OF FY 1989 BUDGET

Treasury, Postal Service, & Genl Government Appns Bill
(Excludes CIC (HUD Bill))

FEDERAL BUILDINGS FUND: NEW OBLIGATIONAL AUTHORITY
$(Thousands)

	1987 Actual	1988 Estimate	1989 Request	CHANGE 89 vs 88
Const. & Acquis of Facil.	131,647	115,036	233,839	+ 118,803
Repairs & Alterations	294,430	472,945	538,251	+ 65,306
Design & Const. Services	67,222	110,036	136,698	+ 26,662
Purch. Contract Payments	131,442	133,105	142,450	+ 9,345
Rental of Space	1,022,378	1,169,532	1,200,000	+ 30,468
Real Property Operations	753,043	805,384	881,703	+ 76,319
Program Direction	57,315	48,014	49,740	+ 1,726
TOTAL NEW OBLIG. AUTH	2,457,477	2,854,052	3,182,681	+ 328,629

MAJOR INCREASES & DECREASES, 1989/1988:

FY 1988 NOA	2,854,052
Inflation/utility/price increases	+ 70,306
Net Increase, new construction	+ 217,233
Purchase of Commercial Buildings	- 100,000
Line item Repairs & Alterations	+ 48,953
Non-line item R&A	+ 45,031
US/Mexico Border Stations R&A	- 28,678
Design & Const Svcs associated with larger 1989 prog	+ 26,662
Rental of space, net	+ 30,468
Buildings delegations (technical-budgeting method)	+ 27,727
All other, net	- 9,073
FY 1989 NOA	3,182,681

ATTACHMENT 1

General Services Administration

SUMMARY ANALYSIS OF FY 1989 ESTIMATES FOR SERVICES AND STAFF OFFICES

PUBLIC BUILDINGS SERVICE

Federal Buildings Fund, New Obligational Authority — ($3,182,681,000)

Net increase of $328,629,000 and a decrease of 738 average positions from enacted FY 1988 obligational authority of $2,854,052,000.

Construction and Acquisition of Facilities — ($233,839,000)

Net increase of $118,803,000 from the 1988 level. Increases consist of:

— $231,269,000 for FY 1989 new construction projects.

— $1,470,000 for construction projects less than $500,000.

— $100,000 for construction claims.

These increases of $232,839,000 are offset by a decrease of $14,036,000 for FY 1988 new construction projects and $100,000,000 for purchase of commercial buildings.

Repairs and Alterations — ($538,251,000)

Net increase of $65,306,000 from the FY 1988 level. Increases consist of:

— $108,156,000 for health and safety.

— $45,031,000 for non-line item projects.

These increases of $153,187,000 are offset by the following decreases:

— $19,996,000 for basic repairs.

— $1,703,000 for Courts.

— $37,504,000 for recapture of vacant space.

— $28,678,000 for border stations.

Design and Construction — ($136,698,000)

Net increase of $26,662,000 and decrease of 72 average positions from the FY 1988 level. These increases consist of:

— $54,800,000 for design and management/inspection of new construction projects ($25,623,000) and design & M/I services for prior year projects ($29,177,000).

— $1,963,000 for technical services.

These increases of $56,763,000 are offset by a decreases of:

— $23,397,000 for R&A line item projects.

— $6,704,000 in support of the non-line item program.

Purchase Contract Payments — ($142,450,000)

Net increase of $9,345,000 from the FY 1988 level. Increases provide:

— $1,369,000 transfer to the Federal Financing Bank.

— $11,375,000 for mandatory redemption under the Dual System for FY 1988 levels.

— $166,000 for Dual and Package System fixed payments.

These increases of $12,910,000 are offset by decreases of:

— $124,000 for reduced tax rates for state and local taxes.

— $3,356,000 reduction in principal and interest payments.

— $85,000 reduction in taxes.

Rental of Space — ($1,200,000,000)

Net increase of $30,468,000 from the FY 1988 level. Increases consist of:

— $79,918,000 for agency expansion space acquired in 1988 and 1989.

— $51,634,000 for commercial rental increases.

These increases of $131,552,000 are offset by decreases of:

— $43,152,000 for release of leased space in 1988 and 1989.

— $57,932,000 for FY 1988 projected balance.

Real Property Operations — ($881,703,000)

Net increase of $76,319,000 and decrease of 666 average positions from the FY 1988 level. Increases consist of:

— $8,015,000 for increased workload in GSA-controlled space.

ATTACHMENT 2

SUMMARY ANALYSIS OF FY 1989 ESTIMATES FOR SERVICES AND STAFF OFFICES (Continued)

Real Property Operation (Continued)

— $630,000 for building support services for the FY 1988 Presidential Inauguration.

— $4,425,000 for release of GSA operated space.

— $7,791,000 for increased fuel and utility costs.

— $27,727,000 for operation of delegated buildings.

— $10,177,000 for increased cost of supplies, materials and service contracts.

— $28,652,000 to restore FY 1988 service level deferrals.

— $7,965,000 for costs associated with the new Federal Employees Retirement System (FERS)

— $2,000,000 for perimeter security systems installation and maintenance requirements.

These increases of $97,382,000 are offset by decreases of:

— $3,658,000 and 666 average positions for productivity improvements, including A-76 implementation.

— $17,405,000 for one-time equipment purchases and systems development and maintenance.

Program Direction — ($49,740,000)

Net increase of $1,726,000 from the FY 1988 level consisting of:

— $704,000 for inflation.

— $504,000 for FERS.

— $518,000 for increased payment for accident and unemployment compensation.

Advances and Reimbursements, PBP — ($384,899,000)

Net decrease of $9,840,000 and 8 average positions from the FY 1988 level. Decrease of $16,004,000 and 8 average positions for changes in reimbursable service requirements offset by an increase of $6,164,000 for inflation.

FEDERAL SUPPLY SERVICE

Operating Expenses — $47,829,000

Net decrease of $21,771,000 and 403 average positions from the FY 1988 level. Decrease consists of $22,301,000 due to conversion to industrial funding offset by a pay increase of $530,000.

Advances and Reimbursements, Federal Supply Service — ($4,866,000)

Net decrease of $5,339,000 from the FY 1988 level. Decrease consists of $5,453,000 for industrial funding offset by $50,000 for RENT increases and $64,000 for inflation.

Expenses of Transportation Audit — $15,000,000

Net increase of $1,960,000 from the FY 1988 level.

General Supply Fund — ($2,672,700,000)

Net increase of $69,839,000 and 338 average positions from the 1988 level Increases consist of:

— $13,834,000 and 338 average positions for implementation of industrial funding.

— $67,483,000 for capital outlay.

— $11,952,000 for economic adjustments of goods and services.

These increases of $93,269,000 are offset by decreases of:

— $11,430,000 for operational efficiencies in the Interagency Fleet Management Program.

— $12,000,000 savings in outbound Transportation.

INFORMATION RESOURCES MANAGEMENT SERVICE

Operating Expenses — $36,835,000

Net increase of $5,642,000 from the FY 1988 level. Increases consist of:

— $101,000 for growth of the Information Security Oversight Office.

— $5,150,000 for IFDC 90.

— $409,000 for support of the National Communications System

— $352,000 for increased pay act costs.

These increases of $6,012,000 are offset by a decrease of $370,000 for other changes.

SUMMARY ANALYSIS OF FY 1989 ESTIMATES FOR SERVICES AND STAFF OFFICES (Continued)

Advances and Reimbursements, IRMS -- ($30,323,000)

Net increase of $1,763,000 and 18 average positions from the FY 1988 level consisting of:

-- $544,000 for inflation.

-- $92,000 for RENT increase.

-- $321,000 for impact of pay act.

-- $54,000 for FERS.

-- $582,000 and 18 average positions for shared computer resource requirements.

-- $170,000 for relocation sites.

Information Technology Fund -- ($1,615,466,000)

Net increase of $261,239,000 and reduction of 36 average positions from the FY 1988 level. Increases consist of:

-- $50,234,000 and reduction of 40 average positions for customer requirements.

-- $199,991,000 and 4 average positions for equipment lease expansion.

-- $360,000 for telecommunication costs for the FY 1989 inaugural.

-- $1,136,000 for pay increases.

-- $3,800,000 for Network tariff increases.

-- $5,339,000 for inflation.

-- $379,000 for FERS recalculation.

FEDERAL PROPERTY RESOURCES SERVICE

Operating Expenses -- $12,109,000

Net increase of $109,000 from the FY 1988 level. Increase is for the full-year cost of the pay raise.

In FY 1989 the management of the National Defense stockpile will be transferred to the Department of Defense.

Advances and Reimbursements, FPRS ($500,000)

No change from the FY 1988 level.

Real Property Relocation Expenses -- $50,000,000

Net increase of $45,000,000 from the FY 1988 level to provide for the optimum utilization of real property.

National Defense Stockpile Transaction Fund Revolving Fund

In FY 1989 the management of the National Defense stockpile will be transferred to the Department of Defense.

Expenses, Disposal of Surplus Real and Related Personal Property -- $3,668,000

No change from the FY 1988 level.

EXECUTIVE DIRECTION AND STAFF OPERATIONS

General Management and Administration -- $122,774,000

Net increase of $274,000 and a reduction of 39 average positions from the FY 1988 level. Increases consist of:

-- $650,000 for computer replacement.

-- $128,000 for ADP technical support.

-- $54,000 and one average position for the Interagency Committee for Computer Support of Handicapped Employees.

These increases of $832,000 and one average position are offset by a decrease of $558,000 and 40 average positions for A-76 initiatives and a general FTE reduction.

Advances and Reimbursements, GMA ($18,286,000)

Net increase of $305,000 from the FY 1988 level. Increases consist of:

-- $286,000 for office support costs.

-- $19,000 for rental payments to GSA.

Inspector General -- $25,400,000

Net increase of $1,066,000 from the FY 1988 level. Increases consist of:

-- $87,000 for increased cost of FERS.

-- $135,000 for price escalation for non-personnel expenses, including RENT.

-- $383,000 for pay raise.

-- $363,000 for additional travel requirements.

-- $98,000 for ADP systems implementation.

SUMMARY ANALYSIS OF FY 1989 ESTIMATES FOR SERVICES AND STAFF OFFICES (Continued)

Advances and Reimbursements, IG ($110,000)

No change from the FY 1988 level.

Allowances and Office Staff for Former Presidents -- $1,431,000

Increase of $233,000 from the FY 1988 level, consisting of:

-- $113,000 for increased staff compensation and supplies for former President Reagan.

-- $69,000 for benefits for former President Reagan.

-- $51,000 for office support costs.

Expenses, Presidential Transition -- $3,000,000

Increase of $2,000,000 for President elect and Vice President elect and $1,000,000 for the former President and former Vice President.

Working Capital Fund ($22,330,000)

Increase of $395,000 from the FY 1988 level.
Increases consist of:

-- $228,000 for inflation.

-- $156,000 for pay raise.

-- $126,000 for increased contributions to FERS.

These increases of $510,000 are offset by a decrease of $115,000 for RENT decrease

GENERAL SERVICES ADMINISTRATION

SUMMARY OF FY 1989 BUDGET

Treasury, Postal Service, & Genl Government Appns Bill
(Excludes CIC (HUD Bill))

AVERAGE EMPLOYMENT (FTE)

	1987 Actual	1988 Estimate	1989 Request	CHANGE 89 vs 88
PUBLIC BLDGS SERVICE	11,143	10,624	9,878	- 746
FEDERAL SUPPLY SERVICE	4,579	4,623	4,510	- 113
INFO RESOURCES MGMNT SVC	2,255	2,477	2,459	- 18
FED PROPERTY RESOURCES SVC	137	193	193	--
GENL MGMNT & ADMIN	2,209	2,370	2,331	- 39
WORKING CAPITAL FUND	272	312	312	--
INSPECTOR GENERAL	364	452	452	--
TOTAL F T E	20,959	21,051	20,135	- 916

NOTE: CIC is an additional 20 FTE.

MAJOR INCREASES AND DECREASES, 1989/1988:

FY 1988 FTE..	21,051
o Expanded private contractor usage (D&C scvc, PBS)	- 72
o Savings from improved work methods, expanded use of private contractors and other efficiencies achieved through the A-76 process (674 PBS, 16 GMA)	- 690
o Operational streamlining, efficiencies (113 FSS, 18 IRMS, 23 GMA)	- 154
FY 1989 FTE..	20,135

ATTACHMENT 3

STATEMENT BY

CHARLES E. KAY

ACTING DIRECTOR

OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

UNITED STATES SENATE

MARCH 3, 1988

Mr. Chairman and Members of the Committee:

I am pleased to present to you detailed information concerning the 1989 budget for the U. S. Department of Energy's (DOE's) Office of Civilian Radioactive Waste Management (OCRWM). It includes major activities planned for FY 1989 under the Nuclear Waste Fund program, as well as under the Civilian Radioactive Waste Research and Development program and provides a status report on implementation of the Nuclear Waste Policy Act of 1982 (NWPA), as amended. Since the NWPA, as amended, requires the annual submission of a triennial budget under the Nuclear Waste Fund, in the discussion of the FY 1989 Nuclear Waste Fund program, estimates for FY 1990 and FY 1991 are included.

With passage of the Budget Reconciliation Act for FY 1988, Congress approved a number of amendments to the NWPA, which resulted in a refocusing of the site characterization activities of the nuclear waste disposal program. We feel that the changes made are constructive ones. By initially focusing on one prospective repository site, we can concentrate technical scrutiny on that site. The action that Congress has taken will provide for substantial near-term savings, including more than a half-billion dollars in 1989 alone.

The FY 1989 budget proposed for the Office of Civilian Radioactive Waste Management is based on the Nuclear Waste Policy Amendments Act of 1987 (Amendments Act), which was part of the Reconciliation Act. As I have noted, the Amendments Act directs DOE to focus on only one site, rather than three, as the candidate for the Nation's first deep, geologic repository for spent nuclear fuel and high-level radioactive waste.

There are other major changes in the program which were effected by the enactment of the Amendments Act, including authorization to site, construct and operate one monitored retrievable storage (MRS) facility, but with certain conditions; the repeal of the requirement in the NWPA to site a second geologic repository; and the requirement to report to the President and to the Congress between 2007 and 2010 on the need for a second repository; the establishment of a Nuclear Waste Technical Review Board and an MRS Review Commission; broadening of impact assistance and other financial provisions; and the establishment of financial benefits and benefits agreements for hosting a repository or an MRS.

These changes substantively alter the focus of the program. To redefine both current and planned activities and to keep the Congress informed of them, the Office of Civilian Radioactive Waste Management is drafting an Amendment to the OCRWM Mission Plan. DOE expects to issue the Amendment in draft this spring. In addition, based on the refocused activities and our intention to emphasize quality assurance, licensing, systems integration and external interactions, a reorganization of the headquarters program is being implemented.

BUDGET OVERVIEW

The FY 1989 budget request for the Civilian Radioactive Waste Management program to be derived from the Nuclear Waste Fund established under the NWPA is $449 million as compared to $360 million in FY 1988 (Table 1). The FY 1990 estimate is $624 million and the FY 1991 estimate is $666 million. For the fiscal years 1989, 1990 and 1991, the request and estimates are considerably lower than projected in previous years due to the new mandate to characterize only one repository candidate site instead of three, and to defer activities related to a second repository. For example, the FY 1988 budget request submitted to Congress last year estimated FY 1989 and FY 1990 as $1.10 billion and $1.06 billion, respectively. Therefore, in those two years, the estimated savings is almost $1.1 billion.

The FY 1989 budget request for the Civilian Radioactive Waste Research and Development (R&D) program as part of the DOE Energy Supply R&D programs is $2.5 million (Table 2).

TABLE 1

FY 1989
CONGRESSIONAL BUDGET REQUEST
NUCLEAR WASTE FUND
(Dollars in Thousands)

	FY 1987 Actual		FY 1988 Estimate	FY 1989 Request
First Repository	$296,881		$240,900	$289,661
Second Repository	19,800	a/	3,500	0
Monitored Retrievable Storage	20,000		4,000	15,000
Transportation and Systems Integration	25,500		37,000	43,600
Program Management and Technical Support	45,875		56,800	62,232
Capital Equipment	11,944		17,800	23,339
	79,000	b/	0	0
TOTAL Program	$499,000		$360,000	$433,832
NRC Fees	0		0	15,000
TOTAL Nuclear Waste Fund	$499,000		$360,000	$448,832
Staffing (FTEs)	307		315	300

Footnotes:

a/ Of this amount, $10,200,000 was largely in support of non-site-specific investigations of the suitability of crystalline rock for repository medium. The remaining $9,600,000 supported to a great extent the development of generic experimental techniques and analytical methods to be applied to repository geological media, taking advantage of applicable international experience.

b/ DOE reserve pending completion of the terms contained in the Continuing Resolution, P.L. 99-500 and P.L. 99-591.

TABLE 2

FY 1989
CONGRESSIONAL BUDGET REQUEST
ENERGY SUPPLY RESEARCH AND DEVELOPMENT
CIVILIAN RADIOACTIVE WASTE RESEARCH AND DEVELOPMENT
(Dollars in Thousands)

	FY 1987 Actual	FY 1988 Estimate	FY 1989 Request
Spent Fuel Storage Development	$6,287	$4,800	$2,300
Program Direction	200	200	198
TOTAL Civilian R&D	$6,487	$5,000	$2,498
Staffing	3	3	3

NUCLEAR WASTE FUND PROGRAM

The goal of the Nuclear Waste Fund program is to site, characterize, construct and operate a waste management system, including a transportation system, for the disposal of spent nuclear fuel and high-level radioactive waste from commercial and atomic energy defense activities in a manner that is safe and environmentally acceptable. This mandate was established by Congress and is embodied in the NWPA, as amended. While that mandate remains unchanged, the focus of the site characterization program has been altered by the Amendments Act. A brief summary of the provisions contained in the Amendments Act pertaining to the Civilian Radioactive Waste Management Program appears in Attachment A.

As discussed in Attachment A, additional participants or oversight bodies have been established by Congress: an 11-member Nuclear Waste Technical Review Board and a 3-member MRS Review Commission. While the Amendments Act gave no role to DOE in establishment of these groups, funds are included in the FY 1989 Nuclear Waste Fund Congressional Budget Request ($10 million) as well as the FY 1988 budget estimates ($5 million). These funds are for personnel, administrative costs, studies, analyses and other activities as may be required to support these new functions.

We are currently preparing to work with these groups and to cooperate in every way possible. DOE believes the process established by Congress will enhance the scientific and technical review and the verification of the waste program activities and we plan to be responsive and supportive.

FIRST REPOSITORY

Under the Amendments Act, DOE is directed to characterize the Yucca Mountain site in Nevada to determine its suitability for the first repository and to terminate site-specific activities at the Hanford site in Washington and the Deaf Smith County site in Texas.

The FY 1989 request for activities associated with the first repository is $301.2 million as compared to $256 million for FY 1988 (including capital equipment). The estimate for FY 1990 is $405 million and for FY 1991 is $435 million. The increase in FY 1989 is needed to begin full site characterization activities, including the initiation of construction of the first of two exploratory shafts; to complete the Site Characterization Plan; to complete pre-Advanced Conceptual Design engineering studies for systems integration, waste package and repository activities; and to provide financial assistance to the State of Nevada and local governments in Nevada.

It is important to note that the current schedule for major milestones associated with work at the Yucca Mountain site is essentially the same as that presented in the June 1987 OCRWM Mission Plan Amendment, with two exceptions: the start of exploratory shaft construction and the start of in-situ testing. The current schedule is shown in Table 3.

TABLE 3

SCHEDULE FOR THE FIRST REPOSITORY
(In Calendar Years)

Milestone	1987 Mission Plan Amendment	Current Schedule
Start of exploratory shaft construction Tuff	4th quarter 1988	2nd quarter 1989
Start of in-situ testing	2nd quarter 1990	4th quarter 1990
Submittal of site selection report and environmental impact statement to the President	1994	1994
Submittal of the license application to the Nuclear Regulatory Commission	1995	1995
Receipt of a construction authorization from the Nuclear Regulatory Commission	1998	1998
Start of construction	1998	1998
Start of phase 1 operations	2003	2003
Start of phase 2 operations	2006	2006

Before discussing the details of our plans for FY 1989, I would like to provide a current status of major activities with regard to first repository activities.

- Phase-Out and Reclamation

As stated earlier, the Amendments Act requires that site-specific activities at the Hanford site and the Deaf Smith site be phased out within 90 days except for reclamation work. Phase-out is occurring and includes the following:

  - Orderly phase-out of financial assistance is underway for Texas, Washington, the Confederated Tribes of the Umatilla Indian Reservation, the Yakima Indian Nation and the Nez Perce Indian Tribe, as well as Louisiana, Mississippi and Utah where salt sites were previously identified and surface studies were conducted. Attachment B indicates the level of grants for these parties. Attachments C and D provide details, including the termination dates for the grants.
  - Termination of contractual activities associated with site-specific work at the Hanford and Deaf Smith County sites has been initiated. Attachments C and D summarize the termination activities and schedules for the Hanford and Deaf Smith County sites, respectively.
  - The scope of reclamation work has been established and work has begun. At the Hanford site, these activities consist mainly of decommissioning 92 boreholes, demobilizing the drill rig that was to have been used for the exploratory shafts, filling the drilling and disposal pits, removing buildings and utilities and sealing the Near Surface Test

Facility. At the salt sites in Louisiana, Mississippi and Utah, more than 100 boreholes will be decommissioned and access roads and instrument sites will be reclaimed. In Texas, the seismic monitoring network will be decommissioned.

- Other phase-out or reclamation-related activities include, but are not limited to, records/documents retention and management and equipment/property disposition. Also included is the archiving of valuable core samples in Washington and Texas.

- Issuance of Site Characterization Plan for Nevada

The Site Characterization Plan (SCP), which describes testing and analysis to be conducted at the Yucca Mountain site, was issued as a Consultation Draft to the State of Nevada and the NRC on January 8, 1988. The first general session, intended to begin the process of conducting technical workshops with Nevada and NRC, was held January 28-29, 1988, in Reno, Nevada. Also, associated draft environmental and socioeconomic plans were issued prior to January 8. We intended to hold workshops with Nevada and NRC as part of the consultation process. To date, however, the State of Nevada has indicated their lack of willingness to participate in this consultation.

NRC has requested technical meetings on a number of SCP subjects. These meetings are being scheduled and the State of Nevada is invited to participate. As with other DOE/NRC technical meetings, these meetings are open to the public.

Our plans are to finalize the SCP so that it can be issued for public hearings and review and comment early in the next fiscal year followed by the initiation of exploratory shaft construction in June 1989.

- International Programs

DOE is currently conducting an evaluation of all ongoing international research programs to determine whether continuation is appropriate. Following that evaluation, we will take the appropriate steps, in accordance with the provisions of the Amendments Act, to phase out funding for those research programs whose program objectives are not consistent with the direction contained in the Amendments Act.

It is important to the U.S. program to continue active participation in international cooperative activities in the area of radioactive waste management, such as those conducted under bilateral agreements and through participation in forums provided by such international organizations as the International Atomic Energy Agency and the Nuclear Energy Agency of the Organization for Economic Cooperation and Development.

In addition, in the civilian radioactive waste R&D program, DOE and NRC, in accordance with Section 223 of the NWPA, have jointly offered to cooperate and provide technical assistance to non-nuclear weapon states in a variety of areas related to radioactive waste management. This cooperation is continuing.

- Surface-based Testing

Surface-based testing at the Yucca Mountain site has been a continuing activity for several years. Approximately a year ago, DOE sent to the State of Nevada an outline of its ongoing and planned surfaced-based testing for the Yucca Mountain site. The Site Characterization Plan Consultation Draft expands the description of the testing to include the entire site characterization phase of the program, including underground testing in the Exploratory Shaft Facility.

During FY 1988, DOE's principal activities with regard to the first repository include the issuance of, consultation on and revision of, where appropriate, the Site Characterization Plan Consultation Draft for Yucca Mountain; continuation of surface-based characterization activities; repository and waste package design; financial assistance; phase out of site-specific activities at the Hanford and Deaf Smith County sites; and reclamation activities at Hanford and at salt sites in Texas, Louisiana, Mississippi and Utah.

During FY 1989, geologic, tectonic/seismologic, hydrologic and geochemical investigations will continue at the Yucca Mountain site as full site characterization proceeds. These investigations will complement initiation of exploratory shaft construction. Borehole and core sample drilling and testing will be increased, as well as environmental and socioeconomic characterization. Final design for the exploratory shaft facility and readiness reviews for construction and site preparation activities for construction of the first of two exploratory shafts will be completed.

During site characterization, evaluation of site suitability will consider the uncertainties in the available field data, as well as uncertainties in conceptual and numerical models used to assess expected site performance. This is an important facet of site characterization because there are some 800 scientists who participate in these studies, and it is critical to the national program that evaluation of the suitability of the site be technically and scientifically sound.

Under the current schedule, exploratory shaft construction is to begin in June 1989. Construction-phase testing will begin during shaft sinking.

Engineering activities during FY 1989 will include continuing the review and updating of the technical data base; continuing the systems engineering analysis and performance assessment to support preparation for the advanced conceptual design engineering work; continuing waste forms and materials and waste package environment testing and modelling; updating rock mechanics data base; and continuing international activities, as appropriate, in support of the first repository program.

In the regulatory and institutional area, we will continue to meet with the NRC and the State of Nevada to discuss and resolve technical issues. Activities will continue to implement the Environmental Monitoring and Mitigation Plan. The Socioeconomic Monitoring and Mitigation Plan and monitoring data reports will be compiled.

Financial assistance to the State and local governments for oversight will continue, and as required by the Amendments Act we will submit the Section 175 Impact Assistance Report to Congress. The Department will offer to begin negotiating a Benefits Agreement (discussed in Attachment A) with the State of Nevada. If an agreement is reached, benefits would then start.

Project management of repository-related activities will include management and support functions, such as the updating of project planning documents, operation of cost and schedule control systems, financial management and budgeting, and operation of a quality assurance program that meets DOE and NRC requirements.

Close-out of site-specific activities at the salt site and the Hanford site will be essentially completed by the end of March 1988 and reclamation activities at those sites is expected to be completed in FY 1989. While the current estimate for these activities is $120.4 million, funds from FY 1987 and 1988 uncosted obligations will be utilized to complete these activities in FY 1989. Therefore, no additional funds are requested for FY 1989.

SECOND REPOSITORY

In accordance with the Amendments Act, the program to site a second repository is being terminated and close-out activities have been initiated. No funding for site-specific second repository activities is requested in FY 1989, FY 1990 nor FY 1991. As discussed in Attachment A, the next major requirement in this area is the submission of a report to the President and the Congress between 2007 and 2010 on the need for a second repository.

MONITORED RETRIEVABLE STORAGE (MRS)

The Amendments Act authorizes an MRS facility as an integral part of the overall waste management system and places certain conditions on the timing of its siting, construction and operation. DOE's previously submitted proposal to Congress to locate an MRS facility in Tennessee has been annulled and revoked by the Amendments Act.

DOE continues to believe that the inclusion of an MRS facility to perform the surface activities of packaging for permanent emplacement in a deep, subsurface facility elsewhere is an important and integral element in an effective and efficient waste disposal system.

The FY 1989 request for activities associated with the MRS program is $15 million compared to $4 million in FY 1988. The increase is primarily to initiate testing and demonstration of the storage modules and the packaging and handling equipment; to conduct design studies; to begin the survey and evaluation of potential MRS sites; and to provide funding for grants. The estimate for FY 1990 is $44 million and for FY 1991 is $53 million (both of which include funds for definitive design).

This funding level for FY 1989 will provide for completion of the analysis on the need for and role of an MRS facility, design tradeoff studies, and the development of recommended facility functional design requirements and specifications. Design studies will be conducted to optimize the systems process, to specify interfaces with the overall waste system and to support the start of definitive facility design. Following submission of the MRS Review Commission report, as required by the Amendments Act in June 1989, siting activities, including the survey and evaluation of potentially suitable sites, will be initiated.

Detailed planning for regulatory compliance will continue and work with national organizations to finalize plans for future interactions will proceed. Consistent with the Amendments Act, this proposed funding level will permit DOE to provide and administer grants to States, Indian Tribes or affected units of local governments to assess the feasibility of siting an MRS in their jurisdictions, as appropriate.

TRANSPORTATION AND SYSTEMS INTEGRATION

The FY 1989 request for activities related to transportation and systems integration is $44 million compared to $37 million in FY 1988. The increase is primarily to complete preliminary from-reactor cask designs on selected casks; to initiate public review; to initiate final design of selected from-reactor casks; to continue shipment and receipt of fuel for the hot demonstration of prototypical rod consolidation hardware; and to initiate projects related to spent fuel disassembly volume reduction and canister welding. The estimate for FY 1990 is $73.5 million and for FY 1991 is $80.8 million.

Development and operation of a safe, efficient transportation system is critical to the overall development of an integrated waste management system. Tasks required to meet this responsibility will provide for (1) the full institutional development of an integrated transportation system and (2) the technical development and operation of the system. In developing and operating this system, private industry will be utilized to the maximum extent possible, as mandated by the NWPA, and systems integration will be of paramount importance to successfully integrate the many elements (geologic repository and MRS facilities, waste package design, and transportation) into a cohesive, efficient, safe and timely waste management system.

Specific critical activities that must continue to have a system in place to begin transporting waste from reactors to an MRS facility or to a repository include: transportation systems acquisition, the development and testing of transportation casks, institutional activities, environmental and economic analysis and the development of various prototypical consolidation, packaging and handling hardware.

a Transportation

In FY 1989, work will continue on preliminary design of the from-reactor casks and some final cask designs will be initiated in FY 1988. Fabrication of scale models and verification testing will be initiated. Resolution will continue for cask-certification technical issues. In order to support the cask development program, DOE will continue to develop: a cask components data base, materials data-base, and automated cask handling technology. Development of functions and requirements for facilities needed to operate the transportation system will continue. Cooperative agreements with State and Tribal organizations, meetings and workshops, and institutional planning and issue resolution specific to a Nevada repository will continue at a level comparable to that of FY 1988.

Other important aspects of the transportation program in FY 1989 include: the initiation of tradeoff studies and analyses to allocate functions to operating facilities, the development of equipment needs associated with the operational system, and the completion of a feasibility study for a cask servicing and maintenance facility.

b. Systems Integration

The systems integration component of the waste program spans the entire program. In FY 1989, we will commence utilization of our reference data base on waste inventories and characteristics, and continue to update it using waste-stream information provided by defense waste generators and newly-generated data on activated metals associated with spent fuel hardware. We will complete a major portion of the reactor interface assessment project and continue to participate in the waste acceptance issue resolution process involving utility representatives and other program elements. In addition, as called for in the Amendments Act (and summarized in Attachment A), DOE is currently conducting a study and evaluation of the use of dry cask storage technology at reactor sites for temporary storage of spent fuel until such time as a permanent repository is constructed and licensed to operate. A report to Congress is due to be submitted by October 1, 1988.

We will initiate applications of our recently-developed systems engineering analysis capabilities, including waste stream analyses, operations/logistics analysis, cost analysis, reliability/availability/maintainability analyses and risk analysis. Comprehensive systems engineering studies will be conducted for a series of anticipated operational scenarios. Special systems engineering analyses will be conducted and we will continue to support technical workshops.

c. Engineering Development

In FY 1989, activities will include projects related to spent fuel and consolidation process development. Activities will include the conduct of "cold cell" checkouts and the award of a contract for support of a "hot cell" demonstration.

PROGRAM MANAGEMENT AND TECHNICAL SUPPORT

For program management and technical support, the FY 1989 request is $73.6 million compared to $59.5 million (including capital equipment). The increase is primarily to provide for program technical support and integration efforts and interaction with the Nuclear Waste Technical Review Board and the MRS Review Commission. The estimate for FY 1990 is $86.2 million and for FY 1991 is $82.0 million.

The FY 1989 level of funding supports 300 full-time-equivalent personnel (FTEs) to manage the Nuclear Waste Fund resources; to develop the Licensing Support System; to manage and oversee detailed site characterization; to focus on external interactions; and to continue liaison with the State of Nevada and local governments for selected sites. In addition, this level will provide funding support to manage the Management and Operating Contract for Systems Engineering, Development and Management to oversee the design, development and integration of the waste management system. An amended request for proposals has been issued based on the Amendments Act, and bids are due by late April 1988.

As a major continuing initiative, DOE is in the process of developing a Licensing Support System (LSS) that is an automated information storage and retrieval system that will assist the

Department and the NRC in the licensing of a repository for the disposal of spent nuclear fuel and high-level radioactive waste. It will facilitate the discovery process by having the relevant licensing information contained in an electronic data base accessible to interested parties. Access to the LSS will be available to the interested parties prior to the NRC's consideration of the Department's License Application. The LSS has been designated by the Office of Management and Budget as a "Presidential Priority System."

DOE is currently participating in a Negotiated Rulemaking on this subject with the other participants being the NRC, State of Nevada, appropriate Nevada local governments, industry and environmental groups. The rulemaking will be developed by the NRC based on the consensus achieved by the participants in the Negotiated Rulemaking.

Technical support includes continuing independent financial audit activities, annual fee verification and calculation studies, fund management activities, records management and litigation support. In FY 1989, we will continue activities for the outreach program, including information reviews; continue international cooperation and participation in activities applicable and beneficial to OCRWM and review foreign waste policy activities and development of procedures; and continue cooperative activities with national organizations. In addition, we will continue to provide funding in support of the Nuclear Waste Technical Review Board, the MRS Review Commission, an On-Site Representative at Nevada and a Review Panel, if established as a result of a Benefits Agreement.

NUCLEAR REGULATORY COMMISSION FEES

DOE is currently conducting negotiations with the NRC to establish a Memorandum of Understanding to provide from the Nuclear Waste Fund payment to NRC for licensing-related activities as described in the NRC budget request and conducted in accordance with the NWPA. Based on an estimate of the level of activities and funding that may result from these negotiations, DOE is requesting $15 million in FY 1989. The estimate for FY 1990 is $15 million and for FY 1991 is also $15 million.

NUCLEAR WASTE FUND

The Nuclear Waste Fund, established by the NWPA to collect fees from the generators and owners of spent nuclear fuel and high-level radioactive waste, is reviewed each year to assess the adequacy of the 1 mil per kilowatt hour fee established by the law. Based on the redirection of the program, DOE is currently conducting its annual total systems life-cycle costs analysis and assessing the adequacy of the current fee.

Commercial utilities have been paying into the Fund since April 1983. Table 4 provides a status of the Fund.

TABLE 4

NUCLEAR WASTE FUND STATUS

Cumulative through January 31, 1988

(Dollars in Millions)

Receipts	
Fees	
One-time	$1,442.0
On-going (1 mil)	1,773.2
Total Fees	3,215.2
Interest	474.3
Total Receipts	3,689.5
Disbursements	-1,721.9
Balance	$1,967.6

CIVILIAN RADIOACTIVE WASTE R&D

The goal of the Civilian Radioactive Waste R&D program is to encourage and expedite the development and demonstration of technologies for the addition of new, temporary on-site storage capacity for spent nuclear fuel to permit the orderly continuation of electricity generation operations by the utilities. The FY 1989 request is $2.5 million compared to $5 million in FY 1988. This decrease is due to the completion of participation in various cooperative agreements associated with spent fuel storage development.

The primary activities associated with this program are cooperative demonstrations of technology for the dry storage and consolidation of spent nuclear fuel, and the acquisition of data to permit generic rulemaking by the NRC.

Dry storage systems represent an alternative method for providing additional temporary spent fuel storage at nuclear power plants. Potential methods of dry storage include casks, drywell, silos and vaults. To ensure continued progress in this area, funding is required for FY 1989 to complete and issue final reports on activities undertaken in cooperation with the private sector. These demonstration reports are intended to provide data and information for the eventual licensing of the dry storage technology by the commercial nuclear power industry. In addition, dual-purpose (transport/storage) activities will continue in FY 1989 with the shipment of fuel in licensed dual-purpose casks.

In FY 1989, cooperative demonstrations will be completed with Virginia Power involving dry storage and rod consolidation, with Carolina Power and Light involving concrete horizontal cask dry storage and with Northeast Utilities Services Company involving rod consolidation. In addition to issuing several reports on special studies, an annual update will be issued on the "Spent Fuel Storage Requirements Report." DOE will continue to cooperate through information exchanges with non-nuclear weapon states and to provide annual updates on the Federal Interim Storage Deployment Plan and the Federal Interim Storage Fee Notice.

To manage the Civilian Radioactive Waste R&D program, three FTEs are required.

SUMMARY

The legislation passed in December 1987 provided a more focused direction to the national program established by the Nuclear Waste Policy Act of 1982. The Amendments Act maintains the national commitment to establishing a safe and environmentally acceptable nuclear waste management system for spent nuclear fuel and high-level radioactive waste and provides a focus for repository activities, authorization for a monitored retrievable storage facility as part of the integrated waste disposal system, financial benefits to a host state(s), expanded flexibility for impact assistance, and additional scientific oversight.

These are important changes and will enhance the Nation's ability to proceed with the important task at hand. It is recognized, however, that public opposition will continue, uncertainties will arise, and institutional and technical issues will be identified and addressed. The FY 1989 budget request is designed to carry out the mandate in a safe, efficient and cost-effective way, and technical excellence will not be sacrificed.

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Attachment A

U. S. DEPARTMENT OF ENERGY
SUMMARY OF THE
BUDGET RECONCILIATION ACT FOR FY 1988
(PUBLIC LAW 100-203)
AMENDMENTS TO THE
NUCLEAR WASTE POLICY ACT OF 1982
REFERRED TO AS THE
NUCLEAR WASTE POLICY AMENDMENTS ACT OF 1987

The following is a brief summary of the provisions of the Budget Reconciliation Act for FY 1988 as they pertain to the programs managed by the Department of Energy's Office of Civilian Radioactive Waste Management.

First Repository

DOE is directed to characterize the Yucca Mountain, Nevada, site as the candidate for the first repository. Site-specific activities for the Hanford, Washington, site and the Deaf Smith County, Texas, site -- recommended by the Secretary of Energy and approved by the President in May 1986 for site characterization -- are to terminate within 90 days of enactment of the legislation. DOE is authorized to site and construct, subject to existing licensing requirements, a deep, geologic nuclear waste repository only at the Yucca Mountain site. In the event that the Yucca Mountain site proves unsuitable for development and use as a repository, DOE is required to terminate site-specific activities and report to Congress.

Monitored Retrievable Storage

DOE's proposal to locate a monitored retrievable storage (MRS) facility is annulled and revoked, but DOE is authorized to site, construct and operate one MRS facility as follows:

o DOE is authorized to conduct a survey of potentially suitable sites for an MRS facility. In so doing, the Secretary of Energy may conduct site-specific activities at the sites for the purposes of gathering the information necessary to support a license application. The survey may begin after the MRS Review Commission (discussed later) established by Congress reports to Congress.

o DOE may select a site from among those surveyed after the Secretary recommends to the President a site for development as a repository.

o The selection of a site for an MRS facility shall not require an environmental impact statement, but shall be accompanied by an environmental assessment.

o At least six months prior to selecting a site for an MRS facility, DOE shall notify the affected State or Indian Tribe. Prior to selection of an MRS site, DOE shall hold at least one public hearing in the vicinity of such site for the purpose of receiving recommendations of interested parties.

o No MRS may be located in Nevada.

o When DOE selects an MRS site, the host state may disapprove the selection. The State's disapproval may be overridden by Congress under the expedited procedures contained in the NWPA.

o Once a selection is made, the host state may enter into a benefits agreement (discussed later) pursuant to the Amendments Act if such State surrenders its right to issue a notice of disapproval.

o Construction and operation of an MRS facility is subject to licensing by the Nuclear Regulatory Commission (NRC). The conditions imposed on such license are as follows:

- Construction may not begin until a license for construction of a repository is issued by the NRC;

- The quantity of nuclear waste stored in the MRS may not exceed 10,000 metric tons until the repository begins accepting nuclear waste;

- The quantity of nuclear waste may not exceed 15,000 metric tons; and

- Construction of an MRS facility or acceptance of nuclear waste shall be prohibited during the time a repository license is revoked by the NRC or construction of a repository ceases.

o A three-member commission is established and is to be appointed by the Speaker of the House and the President Pro Tempore within 30 days of enactment of the legislation and shall report to Congress by June 1, 1989, on the need for an MRS facility.

Second Repository

The requirements of the NWPA for the siting of a second deep, geologic repository are repealed. DOE is directed to report to the President and Congress between 2007 and 2010 on the need for a second repository. Site specific activities with respect to a second site are prohibited unless specifically authorized and appropriated. Within six months of enactment, the Secretary of Energy is to phase out research programs designed to evaluate the suitability of crystalline rock as a potential repository host medium.

Siting Benefits

Impact assistance and grants-equal-to-taxes provisions of the NWPA are broadened:

- To extend technical assistance to affected local governments;
- To extend mitigation assistance to cover impacts of site characterization activities; and,
- To extend financial assistance and grants-equal-to-taxes to affected local governments (including special purpose taxing districts).

DOE is authorized to make payments to a State or Indian Tribe who is party to a Benefits Agreement as follows:

BENEFITS SCHEDULE
(Dollars in Millions)

Event	MRS	Repository
Annual payments prior to first spent fuel receipt:	$5	$10
Upon first spent fuel receipt:	10	20
Annual payments after first spent fuel receipt until closure of facility:	10	20

A State or Indian Tribe must waive its right to disapprove siting of a repository or MRS facility and its right to impact mitigation assistance, but not its right to technical assistance, in order to receive the foregoing payments.

Nuclear Waste Technical Review Board

An 11-member Nuclear Waste Technical Review Board is established to review technical aspects of DOE's nuclear waste program. The National Academy of Sciences is to nominate 22 persons to the President within 90 days of enactment and the President shall appoint 11 members for four-year terms. The Review Board is to evaluate the technical and scientific validity of DOE activities carried out after enactment of this legislation and is to report to the Secretary of Energy and to the Congress twice yearly. The Review Board will be abolished one year after receipt of spent fuel at a repository.

Transportation

DOE is prohibited from shipping spent fuel or high-level waste except in packages certified by the NRC. DOE also is required to abide by NRC regulations on advance notification of State and local governments of nuclear waste shipments. In addition, DOE is directed to provide technical assistance and funding for training public safety officials of local governments and Indian Tribes pertaining to nuclear waste transportation.

Dry Cask Storage

The Secretary shall conduct a study and evaluation of the use of dry cask storage technology at the sites of civilian nuclear power reactors for the temporary storage of spent nuclear fuel until such time as a permanent geologic repository has been constructed and licensed by the NRC and is capable of receiving spent nuclear fuel and report to Congress by October 1, 1988.

Authorization of Appropriations

There is authorized to be appropriated from the Waste Fund for activities under the Nuclear Waste Policy Act of 1982, as amended,

(1) In FY 1988, no more than $567 million;
(2) In FY 1989, no more than $545 million; and,
(3) In FY 1990, no more than $484 million.

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Attachment B

PHASE-OUT/RECLAMATION

GRANT LEVELS CURRENTLY APPROVED

Washington Department of Ecology	$584,953
Washington Legislature	$92,000
Nez Perce	$440,000
Umatilla	$363,000
Yakima	$501,340
Louisiana	$43,000
Mississippi	$55,000
Texas	$1,067,000
Utah	$41,000

Attachment C

BASALT WASTE ISOLATION PROJECT (BWIP)
RICHLAND, WASHINGTON
PHASE-OUT AND RECLAMATION INFORMATION

Implementation: Guidance on phase-out and reclamation issued to BWIP in mid-January. BWIP Phase-out and Reclamation Plan in finalization process.

Phase-out: Activities completed on or before March 21, 1988

- Orderly phase-out of site-specific activities, including engineering and design, field testing and drilling, and laboratory testing.

- Termination of contracts when cost effective and except as needed for reclamation.

Phase-out: Activities that may extend beyond March 21, 1988

- Disposition of property and capital equipment.
- Disposition of records, documents, and core samples.
- Personnel relocation assistance.
- Administration of terminated contracts and subcontracts.

Reclamation: Activities for which completion may extend into 1989

- Determination of regulatory requirements
- Plugging of 92 boreholes, ranging to 4000 feet depth
- Closure of the Near Surface Test Facility (NSTF)
- Recovery of a hazardous waste pond.
- Exploratory shaft demobilization and site backfill.
- Laboratory hot-cell cleanup.

Grants and Payment-Equal-to-Taxes

- Closure on PETT with State of Washington and Benton County by mid-1988.
- Grant to State terminated December 22, 1987; will be phased out by March 22, 1988.
- Yakima, Umatilla, and Nez Perce grants to continue to December 2[illegible], 1988.

Costs -- to completion ($ in millions)

o Sunk, first quarter FY 1988	$27.0
o Phase-out, termination, and reclamation costs to completion	78.0
Total	$115.0

Manpower (Contractors)

End of First quarter, FY 1988	810
End of second quarter, FY 1988	350
End of third quarter, FY 1988	160
End of fourth quarter, FY 1988	70
FY 1989	45

Attachment D

SALT REPOSITORY PROJECT (SRPO)
HEREFORD, TEXAS
PHASE-OUT AND RECLAMATION INFORMATION

__Implementation:__ Guidance on phase-out and reclamation issued to SRPO in mid-January. SRPO Phase-out and Reclamation Plan in finalization process.

__Phase-out: Activities completed on or before March 21, 1988__

- Orderly phase-out of site-specific activities, including engineering and design, field testing and drilling, and laboratory testing.
- Termination of contracts when cost effective and except as needed for reclamation.

__Phase-out: Activities that may extend beyond March 21, 1988__

- Disposition of property and capital equipment
- Disposition of records, documents, and core samples.
- Personnel relocation assistance.
- Compile and/or complete SCP and associated references by May 1988.
- Compile and document computer codes by May 1988.
- Close information offices in Louisiana, Mississippi, Utah, and Vega, Texas by March 31, 1988 and in Hereford, Texas by August 31, 1988.
- Administration of terminated contracts and subcontracts.

__Reclamation: Activities for which completion may extend into 1989__

- Determination of regulatory requirements
- Plugging of 8 boreholes in Utah, ranging to 6384 feet depth.
- Plugging of 94 boreholes in Mississippi, ranging to 5043 feet depth.
- Plugging of 23 boreholes in Louisiana, ranging to 6041 feet depth.
- Verification of closure and/or plugging of 109 small-diameter shallow borings in Louisiana.
- Restoration of 5 tiltmeter sites in Louisiana.
- Restoration of 18 micro seismic network sites in Texas.
- Restoration of 5 weather stations in Texas.
- Restoration of 21 erosion monitoring sites in Texas.
- Laboratory hot-cell cleanup.

Grants

- Louisiana, Mississippi, and Utah grant activities are scheduled to be phased out by March 1988.
- Texas grant activities are scheduled to be phased out by August 1988.

Costs -- to completion ($ in millions)

o Sunk, first quarter FY 1988	$21.1
o Phase-out, termination, and reclamation costs to completion	52.9 *
Total	$74.0

* Does not include funds for PNL clean-up of hot-cell test area. Estimate to be determined.

Manpower (Contractors)

End of First quarter, FY 1988	650
End of second quarter, FY 1988	471
End of third quarter, FY 1988	163
End of fourth quarter, FY 1988	109
FY 1989	24

TENNESSEE VALLEY AUTHORITY
KNOXVILLE, TENNESSEE 37902

OFFICE OF THE BOARD OF DIRECTORS

MAR 2 1988

The Honorable Quentin N. Burdick
Chairman

The Honorable Robert T. Stafford
Ranking Minority Member
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510-6175

Attention: Ms. Stephanie Clough

Dear Senator Burdick and Senator Stafford:

The Tennessee Valley Authority is pleased to submit its testimony to the Committee on Environment and Public Works on the President's FY 1989 budget for TVA.

Enclosed, as requested, is the testimony, which addresses the matters raised in your February 12, 1988 letter to me, as well as other issues.

We appreciate the opportunity to make this presentation and stand ready to appear before your committee as you deem appropriate.

Best regards,

Marvin Runyon
Chairman

Enclosure

TESTIMONY OF
MARVIN T. RUNYON, CHAIRMAN
TENNESSEE VALLEY AUTHORITY
BEFORE THE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
MARCH 3, 1988

Mr. Chairman, I hereby submit for your consideration the Administration's budget request of $75.973 million for TVA for fiscal year 1989. This compares to the $103 million appropriated to TVA in fiscal 1988 and to the $100 million appropriated to TVA in fiscal 1987. Including $3.359 million in unobligated balances available from 1987, TVA has available a total of $106.359 million for fiscal year 1988.

As the figures indicate, the 1989 Budget Program of $75.973 million provides for reduced levels of activities when compared to the $106.359 million in funds available in 1988. The main difference being in economic resources where the Administration is proposing to terminate such programs on a Government-wide basis. Other reductions occur in natural resources and fertilizer programs where other State and Federal agencies have regulatory responsibility or cost sharing and where user fees are to be substituted for appropriations. We estimate that full-time equivalent employment will be reduced by over 400.

The Tennessee Valley Authority is proposing no recissions, deferrals, supplements, or legislative initiatives in support of this Budget Program.

Mr. Chairman, I would now like to detail the Administration's plans for 1989.

Natural Resources

The fiscal year 1989 request includes $33.770 million in operating funds for TVA's natural resource programs. This compares to $32.627 million requested in 1988 and the $44.162 million available for fiscal 1988.

TVA natural resource programs are tied closely to the operation and management of the multipurpose reservoir system that is so vital to the economic, social, and physical well-being of the region it serves. In 1989 the reservoir system will be operated to provide the primary functions for which it was constructed--flood control, navigation, and power production. Increasingly competitive demands continue to be placed on this system which require more complex operational strategies and greater awareness of benefits and costs than ever before. In addition, as the system continues to age, more frequent attention must be given to considerations of dam safety.

Supporting this work will be initiatives that seek to preserve the long-term benefits of TVA investments by monitoring water quality trends in the reservoir system. Efforts to improve the quality of water released from TVA dams will be continued. These efforts offer promising techniques that can be applied to projects throughout the Nation. Wetlands adjacent to the reservoi system will be managed primarily to provide invaluable wintering habitat for waterfowl. Studies of regional and national importance on the impacts of acidic deposition will be conducted consistent with the National Acid Precipitation Assessment Program. Other activities will include field inspections and environmental assessments of TVA programs that affect land and water use, and evaluation of land use proposals and applications for approval under Section 26a of the TVA Act that affect navigation, flood control, and other uses of land under TVA authority.

TVA will also continue to serve in one of its many national roles by producing topographic maps of the region as part of the U.S. Geological Survey's national mapping program.

Operation of TVA's 170,000-acre Land Between The Lakes to provide recreation and meet basic land management needs will continue.

Economic Resources

In fiscal 1989, $250,000 is requested by the Administration for economic resource programs. The 1988 President's Budget provided no funds for these activities. TVA has $14.085 million available in the current year.

Funding in 1989 provides for a study of State and local laws and policies to determine what economic incentives might be developed to attract businesses to Valley States. This effort would provide support for Valley States including the State of Tennessee where the legislature recently adopted the enterprise zone concept and venture capital bill.

Agricultural Institute

The 1989 Budget Program requests $3.781 million in funding for operation of TVA's Agricultural Institute. This compares to $3.636 million requested in 1988 and with $3.931 million available for agricultural resource development activities in 1988.

The Agricultural Institute represents a major change in TVA's agricultural efforts. It reflects a shift in emphasis from increasing agricultural productivity to responding to current issues important to environmental quality and the development of industry that is compatible with the rural areas of the Valley. The primary functions of the Institute are to (1) identify significant problems related to rural economic development and environmental quality, (2) marshal skills and other resources to demonstrate practical solutions to problems, and (3) disseminate information and encourage adoption by others.

The Institute is a natural evolution of TVA's leadership role in Tennessee Valley agriculture. It will provide leadership in restructuring agriculture in the region and demonstrate to the Nation the complementary role that the public and private sectors must assume as agriculture rebuilds for the future. In the past, major emphasis has been on increasing productivity in agriculture. In the future, more attention will be given the environment, quality of life, and development of industry that is compatible with the rural areas of the Valley. The Institute will improve TVA's ability to deal with a broad base of issues and provide the followup necessary to implement "hands-on" demonstrations showing the role of agriculture in a coordinated development plan.

National Fertilizer Research and Development

The Administration's 1989 Budget Program requests a total of $25.081 million for national fertilizer research and development operations. This compares with $25.050 million requested in 1988 and $29.481 million currently available to TVA for fiscal year 1988.

Fertilizer is at the heart of America's agricultural success. Scientists generally indicate that up to 40 percent of U.S. crop production is a direct result of the use of fertilizers. With fertilizers, farmers can meet the Nation's food and fiber needs and produce $30-$40 billion worth of agricultural exports annually. Without fertilizers, the Nation would be struggling to feed its own.

TVA's impact on fertilizer technology and fertilizer production and use in the U.S. and the world is well documented. Its research has yielded a series of process and product innovations that have led to better and more economical fertilizer technology. And it has effectively promoted the sound use of improved fertilizers on the farm.

TVA is taking steps to increase funding received from outside sources. For instance, a system has been established whereby equitable user fees will be charged for future patents and processes developed by TVA. In the long run, this should prove to be a significant source of funds. Licenses previously were granted for very nominal amounts. Additionally, joint financing with industry firms will be used in development of fertilizer products and services. Consideration is also being given to increasing proceeds derived from industry for introductory fertilizer production and distribution. These and other possibilities are being pursued in an attempt to supplement the appropriations required to make these services and products available to the fertilizer industry and the American farmer.

The program for fiscal year 1989 will continue to emphasize improvements in the efficiency of crop use of nutrients, especially nitrogen, the nutrient used in largest quantity and the most costly to produce. Even modest gains would represent major savings. The program also will continue to stress development of new technologies for more effective use of indigenous raw materials. Another objective is to cope more effectively with changing needs. The 1989 research program will continue to increase reliance on smaller test facilities. A concerted effort is being made to pursue technological development in joint ventures with commercial interests as major emphasis is being given to identifying the kinds of services for which private industry would be willing to pay.

Capital Investment

The 1989 request for capital investment funds totals $12.301 million compared to the $10.670 million requested in 1988 and $13.466 million available in 1988 (including unobligated balance totaling $2.906 million). Included in the 1989 request are $4.40 million to continue modifications at TVA dams to bring them up to current safety guidelines for new dams; $1.853 million for routine additions and improvements at TVA multipurpose dam projects; $3.600 million for fertilizer test facilities; $400,000 for improvements in facilities at Land Between The Lakes; and $2.048 million for general office, transportation, and laboratory facilities and equipment.

General Services

The request for funding for General Services is $790,000 in 1989, the same as requested in 1988, and a reduction of $444,000 from the $1,234,000 available in 1988. Included here is funding for maintenance of bridges constructed across five TVA dams.

Power Program

TVA's power program, of course, is completely self-financed from revenue and revenue bonds and does not receive appropriations.

TVA was forced to raise electric rates about 8 percent last October, primarily because the Department of Energy withheld part of its contractually obligated power bills. The Board of Directors recently concluded an agreement with the DOE which will result in payments to TVA from DOE over the next six years of over $1.8 billion. As a result of this agreement, the Board of Directors approved a 6-percent rate reduction that was effective January 4, 1988.

We believe TVA's nuclear program is on the road to recovery. TVA is working toward the restart of unit 2 at its Sequoyah Nuclear Plant in the near future. Following this milestone, TVA will focus on restarting unit 1 at Sequoyah and one unit at Browns Ferry Nuclear Plant by the end of the year. However, we will not seek permission to restart the idled generating units until we are convinced that all outstanding safety issues have been resolved. Another major objective is the return of management of TVA's nuclear program from contractors to regular TVA employees.

TVA's power program generally has performed well during the past year. The continued outstanding availability and efficiency of our fossil fuel plants has enabled TVA to meet power demands of the region in a satisfactory manner. One of TVA's fossil plants, Bull Run Steam Plant, was the second most efficient fossil plant in the country, as measured by heat rate, for the latest survey year--1986--and ranked first for the the previous three years. Another fossil plant, Gallatin, is currently rated 10th in the Nation.

The hydroelectric plants recovered from the previous year's record low production, but because of the continuation of one of the most severe droughts on record in the Tennessee Valley, production was still below normal.

In conservation, energy management, research and demonstration, and environmental protection, the TVA power system is continuing to serve a valuable national demonstration role.

Conservation programs in the TVA region show potential for reducing electricity consumption by 5.1 billion kilowatthours by the year 2005. Since the beginning of TVA's energy conservation program in 1977, more than 1,056,000 consumers have received free energy surveys, and more than 601,000 homes have been weatherized.

Significant milestones have been reached in TVA's cooperative program to test and demonstrate advanced technologies that can help the electric power industry improve its performance and meet future demands in economical and environmentally acceptable ways. Conceptual design of the atmospheric fluidized-bed combustion demonstration unit (AFBC) is complete and the detailed engineering is 90 percent complete. Erection was started in February 1986 and is 54 percent complete. It is on schedule for steam to turbine in July 1988 for the Nation's first full-scale test of this process for burning coal to generate electricity. The process, which has been tested in a smaller pilot plant at Shawnee, Kentucky, promises a cleaner and more efficient way to use the Nation's plentiful high-sulfur coal supply in electric power plants.

OGPA-3325R

TENNESSEE VALLEY AUTHORITY
KNOXVILLE, TENNESSEE 37902

OFFICE OF THE BOARD OF DIRECTORS

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The Honorable Robert T. Stafford
Ranking Minority Member
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510-6175

Dear Senator Stafford:

Thank you for your letter of March 1 in which you request that TVA respond to a list of eight questions involving natural resources, power rates, and related matters.

The answers to these questions are provided as an enclosure to this communication. We hope you find them of assistance. Please get in touch with me if you need additional information.

Best regards,

Marvin Runyon

Marvin Runyon
Chairman

Enclosure

Senator Stafford
Questions on TVA's Fiscal Year 1989
Budget Request

QUESTION #1

Please provide a comparison of reservoir releases work that will be carried out under your FY 89 request versus that work which would have been carried out under your request to OMB. In this comparison, please list and describe each individual reservoir release improvement project that will or would have been funded, its estimated total cost, what you will or would have expended this year, and how costs will be or would have been allocated between the power and appropriated budgets. Also, as part of your answer, please specify what modification work at TVA's dams needs to be performed in order to get the releases from all of TVA's reservoirs into compliance with state water quality standards (understanding of course, that modifications at the dams is a necessary but not sufficient part of improving overall water quality). Also, please estimate the cost of this work on a project-by-project basis and in aggregate.

ANSWER (See Table 1 on following page)

ANSWER to Question #1

The following table (table 1) lists reservoir release work that will be carried out in TVA's FY 1989 request and work that would have been done under TVA's request to OMB.

Table 1

	WORK THAT WOULD HAVE BEEN DONE			WORK THAT WILL BE DONE		
		Funding ($000)			Funding ($000)	
Project	Description	Power	Non-Power	Description	Power	Non-Power
Tims Ford	Three air blowers would be operated to increase dissolved oxygen levels. The small hydropower addition would be operated to help sustain a minimum flow. Cavitation damage to the turbine would be repaired.	78	222	The small hydro power addition would be operated to help sustain a minimum flow.	26	74
Norris	Hub baffles would be installed on both turbines and operated to increase dissolved oxygen levels. Cavitation or damage to both turbines would be repaired. A minimum flow would be sustained by utilizing the reregulating weir to convert pulses from one turbine to a continuous release.	104	296	(Same as "would have been done.")	104	296
Tellico	The siphon on top of one of the spillway gates would be operated to provide low flows to help support a summer refuge for stripped bass that has been created behind a downstream underwater barrier dam.	8	22	No work will be done.	0	0
Upper Bear Creek	The reservoir aeration system would be operated to help alleviate deposits of iron oxide and manganese oxide in the stream below the dam.	0	100	(Same as "would have been done.")	0	100
Cherokee	Three surface water pumps would be moved from Douglas to Cherokee for testing. One turbine would be pulsed to help sustain a minimum flow in the river. One sluice gate would be modified to help sustain a minimum flow.	146	354	No work will be done.	0	0
South Holston	The bypass system would be operated to improve minimum dissolved oxygen levels.	13	37	No work will be done.	0	0

ANSWER to Question 1: (Continued)

	WORK THAT WOULD HAVE BEEN DONE			WORK THAT WILL BE DONE		
		Funding ($000)			Funding ($000)	
Project	**Description**	**Power**	**Non-Power**	**Description**	**Power**	**Non-Power**
Douglas	One turbine would be pulsed and one sluice gate operated to help sustain a minimum flow in the river. An oxygen injection system in front of one unit would be operated to increase dissolved oxygen levels. Nine second generation surface water pumps would be installed and operated for use in improving low dissolved oxygen conditions.	885	1259	One turbine and one sluice gate would be pulsed to help sustain a minimum flow in the river. Three second generation surface water pumps would be installed and operated for use in improving low dissolved oxygen conditions. The three experimental test pumps would be left in place and operated to improve low dissolved oxygen conditions.	342	414
Totals		$1234	$2290		$ 472	$ 884

ANSWER to Question 1: (Continued)

With regard to the part of the question relating to State water quality standards for streams, the low dissolved oxygen (DO) water being released from TVA impoundments is caused by conditions attributable to stratification and to the effects of reservoir inflows impacted by nonpoint sources in the watershed. TVA has demonstrated that sustaining releases at the 4 mg/l level mitigates the effects of its large impoundments and that attention to alleviating the impacts of nonpoint sources in the water shed will achieve still further improvements.

The operating characteristics of TVA's reservoirs enable the tailwaters to achieve virtually the full range of environmental and fishing benefits when releases are sustained at a minimum 4 mg/l DO level. The hydropower turbines in these projects are used for peaking purposes, and typically the units are operated during periods of greatest power demands. Thus, the units are off much of the time. At the Tims Ford project the turbine only operates 25 percent of the time on the average year-round. At Norris our observations show that the tailwater increases to about 7 mg/l about an hour after power generation ceases during the low DO Season. This occurs because there is much less flow in the stream and pickup of oxygen from the air is more pervasive. Algae also probably contributes to this increase during the sunny afternoons.

State DO criteria are based on constant fixed concentrations. Cyclical variations seem to enable the fish to do about as well as long as the lowest level is held to 4 mg/l. We have been monitoring tailwaters where this level has been achieved and plan to monitor each succeeding tailwater as systems are placed in operation. The Norris trout fishery has been thriving under these conditions for 4 years now. Trout are coming through the low DO Season in better condition and oxygen-sensitive trout food organisms are repopulating reaches of the stream ever closer to the dam. Fishing pressure has intensified to capacity and beyond even with the State's priority for stocking the tailwater. It has developed into a trout fishery of regional importance.

For these reasons, TVA believes that it can achieve essentially all the fishery objectives below its peaking hydropower projects at a minimum DO level of 4 mg/l. Devices to accomplish this goal are cost effective. DO levels above 4 mg/l can probably only be achieved by using oxygen injection systems. These systems are expensive to install and especially to operate because of the large quantities of oxygen required. Implementation costs for systems to achieve 4 mg/l in releases from TVA projects would costs about $20 million. Operation of these systems could cost less than $5 million annually.

QUESTION #2

> Please describe TVA's water quality management plans. How many are underway and how many have been completed? How will they be used? How much funding has been provided for these plans under your FY 89 budget request? Did TVA recommend to OMB that these plans receive more funding than has been requested? If so, how much? Are the costs of these plans allocated between power and appropriations? If so, please specify.

ANSWER to Question 2

TVA's water quality management plans identify impaired or threatened waters, short and long-term strategies for restoring and protecting beneficial uses, and provides water resources managers in various agencies with the tools to respond to these needs. Plans have been completed for six reservoirs and are being used to guide further research, to make regulatory decisions, and to educate the people on reservoir water issues and their role in correcting water quality problems. Reservoir projects are conducted in cooperation with other government agencies and increasingly, with sections of the public directly impacted by reservoir water quality. The planning process provides an avenue for TVA to better communicate between resource managers and resource beneficiaries. No funding for reservoir water quality projects is included in the FY 1989 President's budget request. TVA recommended to OMB that $2,500,000 be provided to carry on existing projects and to expand efforts to additional reservoirs. Emphasis would continue to be on providing other agencies and the public with the means of dealing responsibly with complex water quality issues and maintaining TVA as a leader in enlightened resource management. Cost of these activities are not allocated between Power and appropriations.

QUESTION #3

When will TVA's program of dam safety modifications actually be completed?

ANSWER

The schedule and scope of capital modifications which may be undertaken in connection with TVA's current dam safety program depend on recommendations from the in-depth project design reviews underway. If all remaining seven project reviews indicate major modifications are required, our current schedule shows completion about FY 2000. Assuming a minimum effort is required, the modifications could be completed as early as FY 1993. These dates assume funding at the needed levels.

QUESTION #4

- With respect (to) TVA's development of a metric base map series for the Valley, please describe the various uses for this map series. Does USGS have a similar map series either completed or under way?

ANSWER

The 1:100,000-scale metric maps produced by TVA are an integral part of the USGS national series at this scale. This is similar to TVA's longstanding arrangement with USGS to produce the 775 quadrangle maps covering the Tennessee Valley region for the USGS national series of 1:24,000-scale maps. TVA and the USGS maintain close coordination on mapping assignments concerning these two national map series, as well as other mapping efforts, to avoid any duplication.

ANSWER to Question 4: (Continued)

The 1:100,000 map is an optimum scale for working at the multicounty level of planning. These maps are used by TVA and others engaged in regional planning as information sources in cases where the area under study is too large for use of 1:24,000-scale maps.

For example, these TVA-produced maps and others in the series will be used on the national level to create digital data for use by the Census Bureau for the 1990 census. Other uses include recreation, lake access, preliminary engineering studies, route maps, etc.

QUESTION #5

> With respect to the Land Between The Lakes, please describe in detail the differences between the FY 88 estimated budget, your FY 89 request, and your FY 89 request to OMB. What services or functions would be discontinued under the FY 89 request to Congress?

ANSWER

Land Between The Lakes' FY 88 budget provides for continued operation of all public use facilities, with the exception of the Golden Pond Visitor Center theater and planetarium. Basic visitor services for LBL's 2.2 million annual visits also are continuing. However, levels of facility and grounds maintenance have been reduced to "emergency only" levels--a level under which LBL has operated since the early 80s.

LBL's FY 89 request provides no increases for operations, nor does it provide needed funding for maintenance and repairs of aging and deteriorating facilities. The FY 89 request does, however, provide an additional $309,000 for capital construction to replace and/or modernize toilet/shower buildings at some campgrounds. This construction would help LBL meet current visitor needs and accommodate more users. Continued deferral of the replacement or modernization of many of LBL's older facilities will result in their closure and subsequent losses in revenues and visitation levels.

LBL's FY 89 request to OMB provided for program enhancement in both operations and facilities. Proposals included modernization of LBL's aging visitor facilities to meet current visitor expectations and to correct unsafe conditions; expansion of visitor services in recreation, education, and natural resources; expansion of operating capabilities of interpretive facilities to better serve the visiting public; expansion of protection and assistance for visitors; and increased security of LBL's land base.

The request to OMB also contained measures to begin implementing a plan for LBL's future which has adopted last year after extensive public involvement. These measures included increased collaboration with other agencies, universities, and private organizations through development of a "LBL Institute"; aggressive promotion and marketing efforts to increase visitation to LBL and

ANSWER to Question 5: (Continued)

benefit the tourism industry in the surrounding region; and demonstrations of new partnerships, cost-sharing arrangements, and revenue-producing arrangements to increase public benefits with proportionately less dependency on Federal appropriations. Additionally, requested funds would have provided for the planning, feasibility studies, and first phases of design of self-supporting visitor attractions and educational facilities.

The FY 89 request as submitted would require LBL to eliminate all living history and natural resource interpretive activities. Three of LBL's five education and interpretive facilities, including Youth Station educational camp, Empire Farm, and the Golden Pond Visitor Center multimedia theater, would be closed. Cooperative research and demonstrations on environmental problems would also be discontinued. Visitor opportunities would decline due to reduced operation of interpretive facilities from 7 to 5 days a week and LBL's backlog of severe maintenance needs would continue to grow due to an "emergency only" maintenance effort. Over 250,000 visits from current visitation levels would be lost, and result in approximately $150,000 in lost revenues due to the closure of facilities.

QUESTION #6

> Under your budget request for the Agricultural Institute, you list programs aimed at improving water quality in the Valley. How do these programs mesh or overlap with similar programs performed under your natural resources budget?

ANSWER

The water quality funding request in the natural resources segment of the budget is broad-based. It represents TVA's general responsibility to help protect water quality in the Tennessee Valley through cooperative efforts with State and Federal regulatory agencies and the private sector.

The Agriculture Institute's request for funds for water quality improvement is more narrowly focused. It is targeted to remedying nonpoint source pollution resulting specifically from agricultural operations. The program is designed to demonstrate practical ways to reduce soil erosion and to manage safely the increasingly large amounts of waste generated by confined livestock systems.

Quite often the two program areas come together. This happens, for example, when farm-generated livestock wastes create environmental problems affecting the larger community, and when excessive sedimentation from erosion of farmland affects water quality in streams and lakes.

Some program activities are conducted jointly when this serves the general interest. The separate budgets do not overlap. Staffs and budgets are shared when joint activities are appropriate. In fact, in some water quality programs, such as the multiagency Land and Water 201 Program, resources from many agencies are pooled for maximum effectiveness and efficiency.

QUESTION #7

> Please describe in detail what work TVA will be doing with respect to acidic precipitation under the FY 89 request. How does this compare with work being carried out during this fiscal year and with work that would have been carried out under TVA's FY 89 budget request to OMB? Is any of this work funded by power revenues? If not, why not?

ANSWER

In 1989 TVA will conduct acid deposition research with its appropriated funds in the atmospheric processes, terrestrial effects, and aquatic effects areas as follows:

> Atmospheric--At a high elevation forest in the Southern Blue Ridge Mountains, the form (wet, dry, and cloud interception), frequency, and magnitude of pollutant exposure will be quantified. Special effort will be placed on gaining insight into the chemical and physical processes occurring and physical nature of precipitating and nonprecipitating clouds. The data collected under this project will allow for the evaluation of various high-elevation forest decline hypotheses.
>
> Terrestrial Effects--A two-year field study will be conducted at Whitetop Mountain, Virginia, to examine the effects of ozone and/or acidic cloud deposition on the growth of native red spruce seedlings. Three chamber types will be used to manipulate ambient exposure to the seedlings. These treatments will be (a) exclusion of clouds and ozone, (b) exposure to ambient ozone with clouds excluded, and (c) exposure to both ambient clouds and ozone. Throughout the growing season periodic evaluation of the physiological response to seedlings will be determined. Destructive harvest will also be made of a subset of seedlings at the end of each growing season.
>
> Aquatic Effects--The TVA episodic storm event water quality study is being conducted to determine the effect of acid deposition on changes in water quality after intense storms and resulting potential acute biological effects. The acidic deposition effects from storm episodes is a major issue for the Southern Blue Ridge Province and the entire Eastern U.S.

Work in FY 1989 is a continuation of work in FY 1988. FY 1988 projects are the same as those described for FY 1989 except that FY 1989 includes additional research in spruce-fir effects and mountain cloud chemistry. This is the same as that proposed under TVA's FY 1989 request to OMB.

Power funding in 1989 is $1.20 million. Appropriated funding is $965,000 for FY 1989. The Power funding and the appropriated funding have been used to leverage approximately $1.0 million annually in reimbursable research from the Electric Power Research Institute and others.

QUESTION #8

> As TVA begins to bring its nuclear power plants back on line, will there be any corresponding rate reduction for electricity consumers in the Valley? Please explain.

ANSWER

Since projected generation from the Sequoyah Nuclear Plant units was factored into the rates for fiscal year 1988 the startup of those units will not result in lower rates this year for electric power. However, as TVA's nuclear units are brought back on line, TVA's future financial situation will be enhanced because the costs of generating energy at these facilities is less expensive than obtaining it from alternative sources.